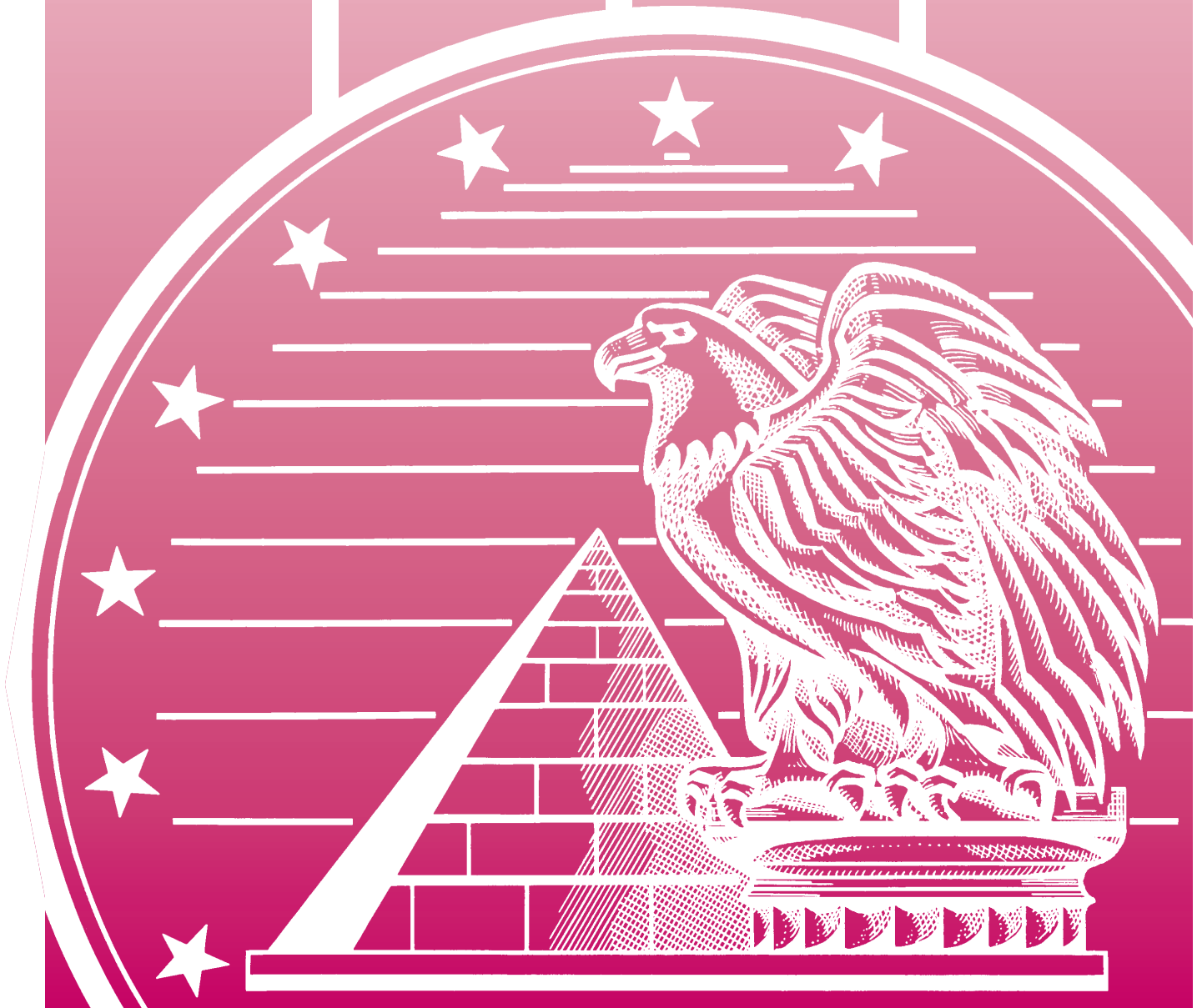


U.S. GENERAL SERVICES ADMINISTRATION

1994



ANNUAL REPORT

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A MESSAGE FROM THE ADMINISTRATOR

1994

It is a pleasure to provide the annual report of the U.S. General Services Administration (**GSA**) for fiscal year 1994. **GSA** has continued steadily on the course of realignment with the goal of building a solid foundation for competitiveness.

GSA's mission is to improve the effectiveness of the Federal Government through the assurance of quality work environments for its employees. We accomplish this for the Executive Branch of the Federal Government through a customer-focused, results-oriented management of real estate, information technology, and procurement of products and services as well as fleet management, travel and transportation management, and telecommunications.

As promised, the Agency is doing things Better, Cheaper, Faster, Easier, Smarter . . . or not at all. For example, **GSA's** five-month study of nearly 200 major Federal construction and leasing projects is expected to yield \$1.2 billion in immediate and long-term savings to the American public. Likewise, **GSA** Federal clients may now easily obtain up-to-the-minute pricing information on thousands of information technology products any time of the day from virtually anywhere around the globe.

The following pages describe our specific program and financial efforts over the past year. Our consolidated agency-wide financial statements, representing the seventh consecutive year of earning an unqualified audit opinion, are also included.

Our challenge for the future is to ensure that our reinvention and evolution to an agency more focused on policy and oversight is not just an exercise in employment reductions or shuffling dollars and people around. The only true measure of success is real savings for the American taxpayers. **GSA** will do what makes sense and what is right.

We welcome your interest in our progress.



Roger W. Johnson
Administrator of General Services

GSA AT A GLANCE

1994

The U.S. General Services Administration (GSA), together with the Office of Personnel Management and the Office of Management and Budget, constitute the central management agencies of the Executive Branch of the Federal Government. As the Federal business manager, GSA's responsibilities include space acquisition and management, retail and wholesale supply sales, fleet management, travel and transportation management, telecommunications and information management, and Governmentwide policy and oversight. In 1994, GSA accomplished its mission through four major Services, the Office of FTS2000, and a number of staff offices that perform general management, administrative support, and Governmentwide regulatory functions. Operations were conducted by slightly over 19,000 employees in 11 geographic regions and numerous field offices across the country. Because of the number of employees retiring or resigning through the buyout program, Agency employment dipped to approximately 17,000 as of December 31, 1994.

Our mission is to improve the effectiveness of the Federal Government by ensuring quality work environments for its employees.

GSA is becoming a non-mandatory source for the supplies and services we offer. This has had tremendous significance for the operations of the Agency; for GSA to remain viable, we are continuing to work toward being considered the provider of choice by our customers. We are clearly defining our business lines, making them highly competitive, and justifying the value added from our involvement. GSA is held accountable for results and will provide customer agencies with greater freedom of choice. GSA is committed to a corporate culture that focuses on doing its business "Better, Cheaper, Faster, Easier, Smarter...or not at all."

Public Buildings Service (PBS)

Mission:	To be the Federal Government's chief buildings planner, developer, owner, and real property asset manager.
Employment:	9,635
Revenue:	\$4.7 billion - Federal Buildings Fund (Direct) \$0.7 billion - Federal Buildings Fund (Reimbursable)
Other Funding:	\$156.2 million - Appropriated, Net of Transfers
Expenses:	\$4.1 billion - Federal Buildings Fund (Direct) \$0.6 billion - Federal Buildings Fund (Reimbursable)
Operations:	8,197 buildings (1,776 owned; 6,421 leased) 275.9 million square feet
Locations:	Central Office (Washington, DC) 10 regional offices 126 field offices

Federal Supply Service (FSS)

Mission:	To provide Federal agencies world-wide with the supplies, equipment, and services necessary to conduct business.
Employment:	4,434
Revenue:	\$2.5 billion - General Supply Fund (\$1.8 billion in supplies; \$0.7 billion for vehicle fleet management and operations)
Other Funding:	\$57.6 million - Appropriated (Direct) \$1.0 million - Appropriated (Reimbursable)
Expenses:	\$2.4 billion - General Supply Fund (\$1.8 billion for supplies; \$0.6 billion for fleet)
Other Obligations:	\$55.6 million - Appropriated (Direct) \$1.0 million - Appropriated (Reimbursable)
Operations:	5.5 million requisitions worth \$1.8 billion in gross sales 4,113 contracts to provide supply and procurement services 52,934 vehicles purchased or leased for Federal agencies, including GSA Additional \$8.0 billion in purchases by Federal agencies directly from GSA -provided contract vendors (Federal Supply Schedules); travel card; freight services; utilization, donation, and sales; etc.
Locations:	Central Office (Washington, DC) 7 regional offices

Information Technology Service (ITS)

(formerly Information Resources Management Service (IRMS))

Mission:	To improve services for all Americans through the innovative use of emerging information technology resources, oversight, and policy leadership. Information Technology Service's (ITS) challenge is to assist every agency and every individual Federal employee in maximizing the effective use of information through technology for improved public service.
Employment:	2,115
Revenue:	\$665.1 million - Information Technology Fund
Other Funding:	\$45.6 million - Appropriated (Direct) \$57.4 million - Appropriated (Reimbursable)
Expenses:	\$641.8 million - Information Technology Fund
Other Obligations:	\$44.7 million - Appropriated (Direct) \$57.4 million - Appropriated (Reimbursable)
Operations:	Over 563,000 local service lines Federal Information Systems Support Program provided services to 625 Federal customers on 1,747 projects amounting to \$253 million 825 contracts under Multiple Awards Schedules providing \$1.5 billion in information services and products directly to Federal agencies
Locations:	Central Office (Washington, DC) 5 zones

GSA At A Glance

Office of FTS2000 (FTS2000)

Mission:	To provide the leadership, policy, program direction, and oversight to ensure timely, high quality, innovative, and cost effective Governmentwide long distance telecommunications services.
Employment:	250
Revenue:	\$621.2 million - Information Technology Fund
Expenses:	\$585.7 million - Information Technology Fund
Operations:	4.5 billion minutes of long distance switched voice service 8.6 cents per minute for switched voice service
Locations:	Central Office (Washington, DC) 1 field office (Fairview Heights, IL) 2 oversight centers (Washington, DC, area)

Federal Property Resources Service (FPRS)

Mission:	To provide Governmentwide real property asset management leadership, policy guidance, program direction, and oversight to ensure that Federal real property assets are effectively used or appropriately redistributed within the public or private sector in a manner that maximizes residual value recovery for the taxpayers.
Employment:	158
Revenue:	\$16.8 million - Appropriated (Direct) \$1.9 million - Appropriated (Reimbursable)
Obligations:	\$15.9 million - Appropriated (Direct) \$1.9 million - Appropriated (Reimbursable)
Operations:	Disposed of 441 properties valued at \$170 million Surveyed 323 properties worth \$5.1 billion Recommended \$12.5 million worth of properties for disposal, and agencies excessed \$119 million worth of properties
Locations:	Central Office (Washington, DC) 4 zones

GSA'S ROLE IN REDESIGNING, REINVIGORATING, AND REINVENTING THE FEDERAL GOVERNMENT

1994

As the business manager of the Federal Government, GSA is one of the world's largest and most diversified "companies." As described in its Strategic Plan, GSA's mission is to improve the effectiveness of the Federal Government by ensuring quality work environments for Federal employees. That means providing directly or prescribing the policies and regulations governing the buildings, office and laboratory furnishings, office supplies, equipment, and computers, as well as telephones and other telecommunications services that make it easier and cost effective for Federal employees to obtain the services they need to do their jobs well. GSA contracts for credit cards for official purchases, for Federal travel and transportation, and for overnight delivery service. GSA also provides a fleet of vehicles that is the best in the business.

When Federal agencies no longer need desks, cars, and other items, or when they vacate a building or an entire military base, GSA disposes of the property in ways that benefit the taxpayer—by either donating it for public use or by selling it to the general public. GSA pays attention to the environmental impact of the work that we do—buying and building "green," managing the Federal Recycling Program, and coordinating the Federal Ridesharing Program, which encourages Federal employees to use car-pools and mass transportation to get to work. GSA is one of the Federal leaders in creating family-friendly workplaces through child care and telecommuting centers.

Creating a Government That Works Better and Costs Less. Throughout fiscal year 1994, GSA participated in Vice President Gore's National Performance Review to streamline Government, cut costs, and reduce the Federal deficit. In keeping with those objectives, the Public Buildings Service conducted a five-month review of nearly 200 major Federal construction and leasing projects. Adopting the recommendations arising from that study—modification of leases, scaling back new construction and renovation projects, and switching from leases to government ownership—is expected to save \$1.2 billion.

Similarly, by improving the management of GSA's Federal vehicle fleet, the Federal Supply Service saved nearly \$29 million in fiscal year 1994. GSA is returning \$14.9 million to the Department of the Treasury for deficit reduction and gave \$13.7 million as rebates to more than 50 Federal customers. Further, by rapidly incorporating 6,300 vehicles

from the Departments of Defense, Energy, and Transportation into GSA's 145,000-vehicle fleet, GSA cut costs by an additional \$7 million.

GSA also negotiated a contract with American Express to provide Federal travelers with charge cards and cash advances. The resultant Governmentwide Travel and Transportation Payment and Expense Control System is expected to save the Federal Government nearly \$120 million over the next five years.

- **Streamlining Work Force.** To fulfill its obligation in meeting the President's goal of trimming the Federal work force by 272,900 employees, GSA filled job vacancies sparingly and offered buyout bonuses to all employees who wanted to resign or retire. This policy, known as "Pause and Reflect," allowed GSA to reduce employment and focus on ways to operate differently with a smaller work force. After all buyouts have been taken, GSA will have reduced its work force by 17 percent—four years early—to the level planned for fiscal year 1999.
- **Streamlining Procurement.** GSA was one of the lead agencies working with Congress to develop procurement reform legislation. The Federal Acquisition Streamlining Act of 1994 removes or reduces numerous statutory burdens and adds significant new authorities so that the procurement process can become more efficient and less costly. GSA, the Department of Defense, and the National Aeronautics and Space Administration are charged with developing and issuing regulations to implement the new law. Among the most significant changes to be made to the Federal Acquisition Regulation are these:
 - New standard clauses and procedures adapted from the private sector will be added for agency use in writing contracts for commercially-available supplies and services.
 - The threshold for simplified purchases will be raised from \$25,000 to \$100,000, thus greatly expanding the number of purchases that can be made using simpler procedures.
 - The Federal Acquisition Computer Network (FACNET) will be implemented to provide a means for paperless contracting.

GSA's Role in Redesigning, Reinvigorating, and Reinventing the Federal Government

- Procedures for so-called “micropurchases”—those under \$2,500—will be further simplified. The changes will eliminate the need to obtain competitive bids if the price is reasonable and will promote the use of Federal credit cards and telephone ordering.

One aspect of streamlining Federal purchasing is transforming the process from one that is paper-based to one that is paperless—that is, one that uses electronics to exchange data. On October 26, 1993, the President signed a memorandum calling for streamlining the procurement process through the use of electronic commerce and directing the establishment of full electronic commerce capability by January 1997. GSA and the Department of Defense co-chaired the interagency Electronic Commerce for Acquisition Team, which was responsible for developing a comprehensive plan for implementing electronic commerce in accordance with the President's memorandum. A paperless procurement process will be easier and more efficient for agencies and industry to use and will increase the visibility of government purchasing actions, thus creating more competition and producing long-term savings for taxpayers. This will only be an extension of GSA's active involvement in simplifying and automating the procurement process. GSA's Federal Supply Service has been using electronic commerce for a number of years. GSA customers can use computers to look through electronic catalogs and place orders; GSA pays many vendors electronically.

Promoting Health, Safety, and the Environment. An important component of GSA's work is ensuring a safe and healthful environment for Federal employees and members of the public who visit the Federal workplace. For example, more than half of GSA-managed space is now protected with automatic sprinklers. GSA has improved safety in Federal buildings by testing for and controlling radon, removing or encasing asbestos, and testing for lead in paint and drinking water and taking necessary corrective actions. Since 1991, GSA has required that all passenger sedans it buys, for its own fleet or other Federal agencies, be equipped with airbags. To safeguard Federal travelers, the GSA-published *Federal Travel Directory* lists only those hotels and motels with smoke detectors and sprinklers in guest rooms when the structures are four or more stories.

- **Recycling.** GSA helps the Federal Government minimize waste, conserve natural resources, and prevent pollution by recycling used materials and purchasing envi-

ronmentally-oriented products and services. Through the Federal Recycling Program, GSA enables Federal agencies to recycle used office paper, glass, aluminum cans, polystyrene, and newspapers. During fiscal year 1994, more than 500,000 Federal employees nationwide recycled about 40,000 tons of material. Nearly \$260,000 in revenue was generated from the sale of recycled material; about \$2 million was saved in dumping fees; and more than \$4 million was saved in transportation costs to and from landfills.

- **“Green” Products.** GSA provides about 3,000 environmentally-oriented products for Federal use. These include more than 900 products with recycled content, including copier paper, retreaded tires, recharged toner cartridges for laser printers, and building insulation. GSA also establishes contracts for energy-efficient appliances and computers. Sales of these environmentally-sound items exceeded \$300 million for fiscal year 1994.
- **Air Quality.** To help improve air quality, GSA provides reformulated paints, preservatives, and cleaning agents that are lower in volatile organic compounds and are, therefore, less ozone-depleting than earlier formulas. GSA was the only Federal agency to receive the Environmental Protection Agency's Stratospheric Ozone Protection Award. The award—given to corporations, associations, individuals, and government agencies—honors achievements in eliminating ozone-depleting substances. GSA, through its Indoor Air Quality Program, has issued guidelines for improving air filters in its buildings and has funded research into indoor air quality by the National Institute for Standards and Technology and the National Institute for Occupational Safety and Health. In addition, air quality data is being collected in 40 GSA-controlled buildings by the Environmental Protection Agency as part of a nationwide survey of indoor air quality in both public and private sector buildings.
- **Energy Conservation.** From 1985 to 1994, GSA reduced energy use in Federal buildings by 12 percent, exceeding the goal of reducing energy consumption by 10 percent by 1995. GSA invests a significant amount of repair and alterations funding in energy conservation technologies each year both to reduce costs and improve comfort and productivity in modernized buildings.
- **Alternative Fuel Vehicles.** To help keep the environment clean, ensure a secure national energy supply, and

GSA's Role in Redesigning, Reinvigorating, and Reinventing the Federal Government

encourage the manufacture of alternative fuel vehicles (AFVs), GSA has become a leader in the alternative fuels industry. GSA's fleet of 9,650 AFVs operates on methanol, ethanol, or natural gas. In fiscal year 1994, GSA awarded contracts valued at \$60 million to the Big Three automakers for an additional 5,500 alternate-fuel vehicles.

- **Ridesharing.** GSA, through its Federal Ridesharing Program, promotes the use of carpools, vanpools, and public transportation, all of which help Federal employees conserve gasoline, improve air quality, reduce traffic congestion, and save money. GSA permits flexible starting and quitting times, a practice that, by reducing traffic congestion, also reduces fuel consumption.
- **Integrated Pest Management.** GSA is recognized as one of the leading experts in the area of Integrated Pest Management, an environmentally safe—yet effective—system of pest control. The program, developed and promoted by GSA in both the public and private sectors, reduces the use of pesticides and emphasizes keeping insects and rodents out of buildings by sealing off cracks in building foundations and other entryways.
- **Preventing Crime.** In an attempt to curtail the flow of handguns into American communities, GSA no longer permits Federal agencies to sell unneeded firearms to Federally-licensed gun dealers. Instead, unwanted guns must be destroyed and sold only as scrap.

GSA participates in a Governmentwide working group on workplace violence and in that capacity issued *What You Should Know About Coping with Threats and Violence in the Workplace*, a booklet and working guide for Federal employees. Through the use of realistic examples and thought-provoking questions, it explains: why threats and violence happen, how to recognize warning signs of hostile behavior, how to manage tense situations and prevent escalation, what protective actions to take if confronted with threats or violence, and what security actions may reduce the risk of workplace violence. Initially, 50,000 copies were distributed, but within two weeks, more than 20 agencies requested additional copies or permission to reprint the booklet. Other crime prevention booklets available through GSA include *Security Guidelines for Government Executives*, *What You Should Know About Preventing Thefts in the Workplace*, and *What You Should Know About Avoiding Rape and Sexual Assault in the Workplace*.

Aiding Communication. GSA is running the Federal Government's electronic mail program, in response to one of the recommendations of Vice President Gore's National Performance Review. The use of electronic mail within and among Federal agencies will make communication faster and less expensive and will allow the Federal government to be more responsive to the citizens it serves.

GSA operates four programs designed to make it easier for citizens to communicate with and obtain information from the Federal Government: the Federal Information Center, the Consumer Information Center, the Business Service Centers, and the Federal Information Relay Service. Since 1966, the Federal Information Center has provided a central source of answers to questions from the public about Federal agencies, programs, and services. Currently, residents of more than 70 metropolitan areas nationwide and four states can call toll-free numbers to ask questions about such topics as taxes, Social Security, immigration, veterans benefits, and copyrights. In fiscal year 1994, the Center was able to provide answers or direct an estimated 1.5 million calls to the appropriate Federal agency.

The Consumer Information Center, with mail operations based in Pueblo, Colorado, offers free and low-cost Federal publications of interest to consumers. Topics include health, food and nutrition, home improvements and safety, and travel and hobbies. In fiscal year 1994, the Center sent 11.8 million publications in response to citizen requests.

To encourage bidders for Federal contracts, GSA operates Business Service Centers in each of its regional offices. Business counselors assist companies interested in doing business with GSA and other Federal agencies. Through conferences, meetings, exhibitions, and phone calls, counselors at these centers helped nearly 144,000 businesses in fiscal year 1994.

GSA's Federal Information Relay Service fosters communications nationwide between users of regular telephones and users of Telecommunications Devices for the Deaf (TDDs). This service allows Federal employees and members of the public to communicate despite speech or hearing impairments. Operators are equipped with TDDs and act as interpreters. They read a message on the TDD, place the call to a hearing person, read the message, wait for a spoken reply, type it, and transmit it to the original caller via TDD. In fiscal year 1994, the service placed 55,000 calls.

GSA's Role in Redesigning, Reinvigorating, and Reinventing the Federal Government

Enabling People With Disabilities. In addition to managing the relay service, GSA operates the Clearinghouse on Computer Accommodation, a recognized leader in showcasing and promoting the use of computers and other information technology for use by people with disabilities. By providing capable employees with the tools they need, such as Braille readers, voice-activated computers, and large-type monitors, the Federal government is able to improve service to the public, recruit the most qualified applicants, retain employees who may acquire disabilities, and introduce innovations that are convenient for all.

Another way that GSA maximizes the contributions that people with disabilities can make to society is by placing contracts for supplies and services with the National Industries for the Blind and with NISH, an organization for people with severe disabilities. In fiscal year 1994, GSA had more than 100 such contracts valued in excess of \$39 million. An additional 18,000 orders, totaling \$177 million were placed with Sheltered Workshops.

Promoting Family-Friendly Programs. During fiscal year 1994, GSA established a separate office to coordinate its community and family programs. The new Office of Workplace Initiatives coordinates GSA's child care, telecommuting, and volunteerism activities.

- **Child Care.** GSA helps Federal clients establish work-site child care centers that emphasize availability, quality, and affordability. More than 6,000 children are enrolled in 97 centers in GSA-managed buildings. Thirty new centers are planned for the next three years. To improve and maintain quality, GSA requires its centers to achieve professional accreditation from the National Association for the Education of Young Children. Though only 10 percent of all child care centers in the U.S. have been accredited, more than two-thirds of GSA's centers have been accredited or are working toward earning their accreditation.
- **Telecommuting.** GSA opened four telecommuting centers in the Washington, DC, area in fiscal year 1994. Each center is an office with between 15 and 25 workstations equipped with desks, telephones, facsimile machines, and computers. Federal agencies can rent

individual workstations by the month. Employees normally work in these telecommuting centers part-time and commute to their regular offices the rest of the week. In addition, GSA established three such centers in the Los Angeles area within the first two weeks following the January 1994 earthquake. These centers were so successful that they remain in operation.

- **Volunteerism.** Nearly 25 percent of GSA's work force volunteers in local neighborhoods across the country. Employees have been involved in a wide range of programs supporting education, the elderly, the homeless, babies with AIDS, and battered women and children.

Providing Support for Emergency Response. During fiscal year 1994, GSA provided logistical support for Federal teams responding to 32 Presidentially-declared disasters, including tornadoes, wildfires, floods, and the California earthquake. Support included leasing space and providing office furniture, equipment, and telecommunications services for the Federal Emergency Management Agency. GSA provided equipment worth a record \$43.4 million to the U.S. Forest Service for fighting more than 60,000 fires, 10 percent more fires than in an average year. GSA also provided support to Cuban and Haitian refugee activities in the United States and Panama, and at the Guantanamo Air Force Base in Cuba. Most of the supplies supported basic human needs and included food service items, toiletries, and cleaning supplies. Other items included 22 vehicles, safety helmets, safety goggles, and chains.

Helping the Homeless. Since the enactment of the Stewart B. McKinney Homeless Assistance Act in 1987, providers of shelters for the homeless have requested 57 of GSA's properties. Except for one property retained for further Federal use, all of the requests for properties were approved. Though 12 of those sites were subsequently returned to GSA, 44 properties, valued at \$84.2 million, are currently in use by the homeless. Of those sites, five, valued at \$1.4 million, were established in fiscal year 1994. Furthermore, GSA has donated \$58 million in personal property to the homeless since 1987, including \$9.5 million during fiscal year 1994. Furniture, appliances, blankets, office equipment, and motor vehicles were among the donated items.

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT REPORT SUMMARY

1994

GSA recognizes the Federal Managers' Financial Integrity Act of 1982 (FMFIA) requirements as a continuing process for evaluating, improving, and reporting on our management controls and financial management systems.

Results are reported annually, as required by the FMFIA, through an assurance letter to the President and the U.S. Congress. A copy of the letter addressing fiscal year 1994 is provided following this summary. The Administrator of General Services was able to state that there is reasonable assurance that the agency, as a whole, complies with the provisions of the Act. Progress on two previously reported high risk areas, "Oversight of GSA Major Information Systems" and "Multiple Award Schedule (MAS) Program," is described in the paragraphs below.

Assurance Letter

GSA has implemented a set of controls over the planning, development, and operation of automated information systems to correct the high risk area "Oversight of GSA Major Information Systems." Although the controls defined appear to be appropriate and effective, there is continuing concern because not all controls have been adequately tested through the development of a major information system. As a result, there is a relationship between this Office of Management and Budget (OMB) high risk area and the two material weaknesses "Financial Management Reporting" and "Inadequate Timely Access to PBS Business and Program Related Information." The elimination of these material weaknesses and of this OMB high risk area are contingent upon the successful development and implementation of major information systems to support these areas. The current correction date is September 1996.

The second area previously reported as high risk is the "Multiple Award Schedule (MAS) Program." The MAS program has several problems which have been identified by agency management and cited in General Accounting Office (GAO) and GSA Office of Inspector General audits. First, the information that GSA receives from vendors to evaluate prices offered to the Government is not always accurate, current, and complete. Second, heavy workload in the MAS program may adversely affect the ability of contracting officers to

award the most favorable prices for the Government. Third, agencies who use the MAS program may not always comply with applicable ordering procedures. The passage of the Federal Acquisition Streamlining Act will significantly alter the conduct of Federal procurement. Implementation of this new law is scheduled to be completed during fiscal year 1995. The current action plans call for corrective actions to be completed by October 1996. A material weakness is also reported in the MAS Program with respect to ordering practices, which is detailed below.

The FMFIA assurance letter also addressed five material weaknesses, which are detailed below. Five additional areas reported previously ("Administrative Controls Over the GSA Board of Contract Appeals," "Surplus Property Donation Program," "FTS2000 Network Oversight," "Lack of Documentation to Support Building Rental Rates," and "Violation of Advance Payment Statute") were corrected during 1994 and are no longer designated as material weaknesses.

The weakness reported as "Multiple Award Schedule (MAS) Program - Ordering," was first reported in 1992. GAO found the Federal Acquisition Regulation and the Federal Information Resources Management Regulation were inadequate to ensure that MAS orders resulted in the lowest overall cost, consistent with the requirements of the Competition in Contracting Act. While GSA disagrees with this finding, the agency acknowledges that certain portions of the regulations need clarification. In 1994, revised ordering procedures were published in the Federal Register. GAO also found that agency oversight and management practices do not ensure that MAS orders comply with applicable regulations, citing GSA's failure to provide adequate information to agencies about the features and prices of schedule items as one cause. In 1994, GSA implemented an On-line Schedule Systems bulletin board of some MAS computer schedules. Efforts are underway to enhance the capabilities to allow for electronic order placement. GSA is incorporating changes that are consistent with the National Performance Review, Presidential Directives, and reform legislation affecting commercial products acquisitions.

"Financial Management Reporting" is a weakness that was first reported in 1992. At year-end, GSA's financial reports are generally complete and accurate as evidenced

Federal Managers' Financial Integrity Act Report Summary

by the audit opinions given in recent years. However, during the year, interim financial reports do not properly support managers in their decision-making on individual programs. The deficiencies identified in financial reporting preclude managers from having the appropriately detailed, accurate and complete reports on which to gauge financial performance and to take appropriate actions. The current target date for correction is September 1996.

"Inadequate Timely Access to Public Buildings Service (PBS) Business and Program Related Information" is a weakness first reported in 1988. The lack of timely accessible business and program related data is due to outdated and outmoded processing methods in the PBS Information System. The current target date for correction is March 1996.

"Inaccurate and Incomplete Firearms and Ammunition Inventory System" is a weakness first reported in 1994. A control weakness exists in the Law Enforcement Program relating to the inaccurate and incomplete firearms and ammunition inventory records. GSA's regional offices are not maintaining a perpetual inventory system to automatically adjust for firearms added or deleted between inventory periods. Also, ammunition inventory controls in the regions need to be improved to include a perpetual inventory system as a deterrent against unofficial use or misappropriation of ammunition. GSA is establishing a perpetual inventory control system to accurately track firearm acquisition, assignment and disposal, and a perpetual inventory system for ammunition. The current target date for correction is March 1996.

"Reconciliation of FSS-19 Inventory Balances to NEAR" is a weakness first reported in 1994. The inventory balances per the Status Stock Report (SSR) generated from the FSS-19 are not reconciled to the National Electronic Accounting and Reporting (NEAR) system's general ledger frequently enough. At year-end the two systems were reconciled and variances were immaterial. During the year these differences fluctuated, but represented only 1 1/2 percent of the total inventory. The root cause(s) for these differences have not yet been determined. GSA needs to examine the conditions causing this occurrence and establish procedures to ensure that the SSR is reconciled to the general ledger on a monthly basis. The correction date is to be determined.

The material non-conformance, reported in fiscal year 1993, "Repair and Alteration Construction Automated Tracking System" (RACATS) has been corrected.

Independent Audit

An audit of the fiscal year 1994 Consolidating Financial Statements was completed by Arthur Andersen LLP after the submission of the FMFIA Assurance Letter. The items found as a result of the annual audit of the Consolidating Financial Statements will not necessarily be disclosed within the current FMFIA review. The audit and review are independent evaluations which differ both in timing and scope.

The audit revealed three material weaknesses in internal controls. The audit also revealed eight additional reportable conditions that were not classified as material weaknesses under American Institute of Certified Public Accountants criteria.

Material Weaknesses

- Procedures for establishing and evaluating the accuracy and completeness of year-end accruals are inadequate. This condition was caused primarily by a lack of procedures to accrue for goods and services in the period in which they were received. This weakness adversely affects GSA's ability to ensure PBS transactions are recorded in the proper period.
- PBS performs certain building services on a reimbursable basis using the completed contract method of accounting. Procedures to ensure the accuracy and completeness of recognition of income and expense continue to require improvement. This condition was caused by a lack of procedures to determine the status of completion of reimbursable projects for purposes of properly recognizing income and expenses on completed projects. This weakness adversely affects GSA's ability to ensure income and expenses are recognized in the proper period.
- GSA receives appropriations for grant programs, primarily to construct facilities for colleges and universities. Amounts granted to entities have been recorded as assets, instead of as expenses as required under accounting standards. This condition was caused by management misapplying accounting standards relat-

ed to PBS grant activities. This weakness adversely affects GSA's ability to fairly present the financial statements in accordance with generally accepted accounting principles.

Other Reportable Conditions

- GSA policies and procedures over effective definition, communication and monitoring of responsibilities and authority require improvement in the payroll time and attendance function for all of GSA. Supervisory controls to prevent or detect and correct payroll errors require improvement. In fiscal years 1992 through 1994, there were instances of clerical errors in recorded leave balances. In 1994, certain discrepancies between payroll and personnel systems were not being corrected on a timely basis.
- Financial management practices in the PBS Office of the Controller require significant improvement. This is evidenced by (1) the material weaknesses described above, (2) continuing internal control problems (four of the six reportable conditions noted last year were not corrected in fiscal year 1994), (3) a lack of management-level review and analysis of balances reported in the financial statements, and (4) a lack of sufficient oversight of regional financial management activities. This weakness adversely affects PBS's internal control structure.
- Procedures for establishing adequate reserves for past due accounts receivable continue to be insufficient to ensure that adequate reserves are recorded for PBS activities. Reserves have not been recorded for non-disputed, overdue Federal accounts receivable. Relevant factors (e.g., aging, status of customer negotiations, etc.) were not considered in determining the reserve for disputed Federal balances.
- Procedures to ensure the accuracy of property account classifications are inadequate. Certain misclassifications were made as a result of misapplication of

accounting standards and a lack of compliance with procedures to ensure timely recognition of completed construction projects.

- Supervisory controls to substantiate and evaluate the rent master file require revision to ensure accuracy of the rental rates that PBS charges its customers. In fiscal year 1994, data input and programming errors occurred that resulted in inaccurate rent rates and billings. These could have been prevented or detected by properly designed supervisory controls.
- PBS procedures to identify and record unaccrued rental income continue to be insufficient to ensure billings were made promptly and recorded in the proper period. In addition, certain regions no longer follow established procedures to identify building space which is assigned to tenants, but is not currently being billed.
- PBS procedures require the reconciliation of the subsidiary records for space rental obligations and expenditures to the general ledger control accounts. In fiscal year 1994, certain regions were not performing the reconciliation as of September 30, 1994. In addition, for all regions, procedures continue to be inadequate to ensure that adjustments are recorded in the proper period.
- The General Supply Fund maintains subsidiary records for its supplies inventory. These records were not reconciled to the general ledger at September 30, 1994. This reportable condition was cited in GSA's FMFIA 1994 annual Assurance Letter.

GSA is in the process of investigating each of the weaknesses found in the auditors' report and developing corrective action plans to eliminate them in a timely manner. Each weakness identified will also be reviewed to determine whether it is a reportable weakness under FMFIA standards for the fiscal year 1995 assurance statement.



Administrator
General Services Administration
Washington, DC 20405

December 29, 1994

The President
The White House
Washington, DC 20500

Dear Mr. President:

I am pleased to report that the General Services Administration's (GSA's) management control and financial management systems, taken as a whole, provide reasonable assurance that the objectives of the Federal Managers' Financial Integrity Act (FMFIA), Section 2 and Section 4 are being achieved. The content of the enclosed FMFIA report is based on information provided by GSA's managers, as well as on advice provided by the agency's Management Control Oversight Council (MCOC). It is also based on the results of the audit of GSA's Financial Statements, which produced an unqualified opinion for the seventh straight year.

The managers have made progress in correcting five material weaknesses cited in earlier FMFIA reports. They have also performed assessments of their programs as required by the law, and have reported the results of those assessments within the context of the Management Control Plan required by Office of Management and Budget Circular A-123, Internal Control Systems.

During fiscal year 1994, the MCOC, under the chairmanship of the Deputy Administrator, examined a wide range of management issues that were brought to its attention. When control weaknesses were identified, the process of developing and implementing corrective action was started immediately. The Inspector General, in his role as an advisory member of the MCOC, has provided useful and constructive suggestions for improving the agency's management policies and practices.

The assurance letter process surfaced an area of concern regarding a potential control weakness concerning accountability and utilization over the Governmentwide excess personal property program as implemented within the Department of Interior, Bureau of Indian Affairs (BIA). A recent investigation disclosed that approximately \$156 million worth of equipment was transferred to the BIA for use by various Indian tribes. Individuals associated with these transfers deprived the Indian tribes of the use of \$78 million worth of equipment when they illegally sold it. Recent legislative changes may exacerbate the potential for abuse. GSA continues to coordinate this matter with the Department of Interior, which has had specific responsibility for safeguarding property.

With respect to the high risk area "Oversight of GSA Major Information Systems," GSA has fully implemented all corrective actions, and we now have a program in place for overseeing major systems development within the agency. However, we continue to report two separate material weaknesses that are related, in part, to the development of major information systems. The removal of the high risk designation for the "Oversight of GSA Major Information Systems" will therefore be based upon our successful development of these systems.

In the enclosures to this letter are the plans and actions to correct our two high risk areas and five material weaknesses. I consider none of the material weaknesses reported as critical to the performance of the agency's missions. We report the addition of two new material weaknesses. No new material nonconformances were identified this fiscal year.

Respectfully,

A handwritten signature in dark ink, appearing to read "Roger W. Johnson", is written over a horizontal line.

Roger W. Johnson
Administrator

Enclosure



PUBLIC BUILDINGS SERVICE

1994

In support of GSA's mission, the Public Buildings Service (PBS) will support the accomplishment of our customers' missions by providing high-quality real property acquisition, construction, management and disposal services in a timely and cost-effective manner.

Funding

The Public Buildings Amendments of 1972 (Public Law 92-313) authorized GSA to finance Government real property management activities through user charges that are set at commercially-comparable rates and are collected from agencies occupying space. The financing mechanism for PBS activities is the Federal Buildings Fund, which began operations at the start of fiscal year 1975. The rental income is deposited into the Federal Buildings Fund, and income in excess of operating expenses is used to finance new construction and repair and alteration projects. In recent years, construction funds have been supplemented by direct appropriations to the Federal Buildings Fund and/or by increases in GSA's borrowing authority.

Contribution to the Capital Program

The Federal Building Fund's contribution to the Capital Program equals its net income plus depreciation expense. This is the amount available for capital improvements and acquisitions. The contribution to the Capital Program has increased significantly in recent years and is expected to increase in the future. The contribution for fiscal year 1994 was \$1.1 billion, up slightly from 1993's \$1.0 billion contribution.

Rent

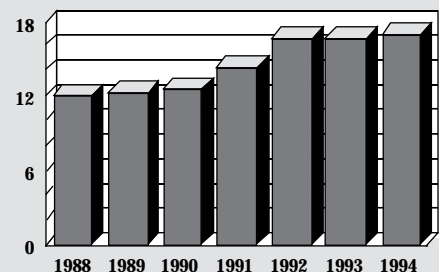
The Federal Buildings Fund is an intergovernmental revolving fund financed by revenues from rent payments

received from agencies occupying GSA-controlled space. New rent cycles occur every five years for every building in the GSA inventory. Professional real estate appraisers, under contract to GSA, perform appraisals of all GSA buildings approximately 18 months before the first year of the cycle. The long lead time is needed to comply with the Federal budget process. GSA provides rates for each building to agencies at the start of the budget formulation process so that adequate funding can be requested in the various agencies' budgets.

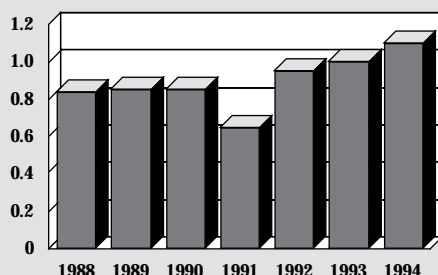
For the first year of the cycle, GSA provides client agencies with appraisal-based information for each space assignment. The rate-setting process is explained and comparable buildings used to develop the rent rates are discussed. Rates for the second through the fifth years of the cycle are adjusted annually based on utility costs and the Consumer Price Index.

The 1994 rent rate increase of 2.0 percent for existing assignments represents the weighted nationwide average for all assignments. Rent rates associated with specific space assignments may have increases greater or lesser than the national average, depending on building location.

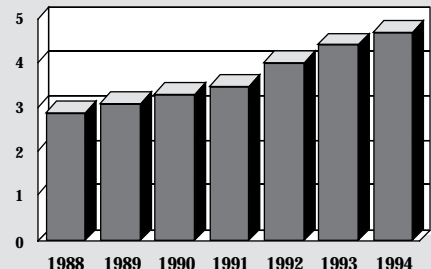
Rent Revenue (\$ Per Square Foot)



Contribution to the Capital Program (\$Billions)



Rent Revenue (Total in \$Billions)



Public Buildings Service

Rent revenue increased to \$4.7 billion in fiscal year 1994. A review of rental charges was performed, and it was concluded that in 17 metropolitan areas rents exceeded market rates. Accordingly, fiscal year 1995 rents were reduced where appropriate. As a result, rent revenue is expected to decrease in fiscal year 1995 by \$210 million.

Reimbursable Services

Clients requesting services above those normally associated with the standard commercial operation and maintenance of a building are billed for the cost of those services. The revenue from the reimbursable program increased 121 percent to \$733 million in fiscal year 1994 from \$332 million in fiscal year 1993.

Space Acquisition

The Government-owned inventory provides approximately 96 percent of the Federal Buildings Fund's net income before depreciation. An historical comparison of leased versus owned space cost shows that the cost of leased space is significantly higher than Government-owned space and supports GSA's goal of acquiring Government-owned space where a long-term Federal need exists.

Although the benefits associated with Government ownership are well-documented, examination of the GSA inventory over the past 20 years indicates that the percentage of owned space has been decreasing. The ratio of Government-owned to leased space declined from approximately 75 percent ownership in 1971 to approximately 52 percent at the end of fiscal year 1994. A preliminary internal study completed during fiscal year 1994 concluded that nationwide the "ideal" level of owned

space under current conditions is 70 percent ownership to 30 percent leased. This result is an update of our previous study reported upon last year, and reflects more current real estate data.

The necessity to acquire additional space to meet the significant growth or changing needs of the U.S. Courts system, law enforcement activities, and selected Federal activities and agencies continues despite general Government downsizing.

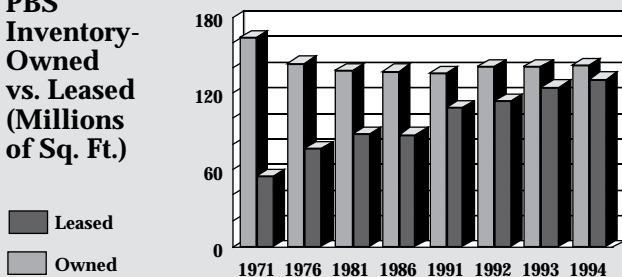
In 1994, PBS was responsible for the operation and maintenance of 275.9 million occupiable square feet of space. Of that, 143.2 million was Government-owned space, and 132.7 million was Government-leased space. There was not sufficient owned space to satisfy client needs, necessitating the leasing of additional space. Leased square feet increased 6.7 million, and Government-owned space increased 1.3 million, giving a net increase of 8 million occupiable square feet. Government-owned square feet dropped from 53 percent to 52 percent of the total inventory between 1993 and 1994.

Despite the decline in the ratio of owned to leased space recorded in the last year, PBS is continuing its efforts to increase that ratio. It is anticipated that the combination of those efforts and a Congressional appropriation of \$260.2 million in fiscal year 1994 will begin to reverse the trend and that it will continue over the next five years. PBS has estimated that the percentage of GSA-owned space could reach 60 percent of the inventory upon the completion of currently-authorized construction projects; the completion of the fiscal year 1996 program, including the acquisition program; and the anticipated lease reductions through 1999 due to Government downsizing.

Coupled with the need to increase Government-owned space is the need to revitalize the current building inventory. More than 60 percent of Government-owned buildings are over 30 years old, an increase of 10 percent over fiscal year 1993. Consequently, GSA has embarked upon an aggressive effort to modernize its inventory. From fiscal year 1988 through fiscal year 1994, fifty modernization projects were completed or are in process, at a cost of \$944 million.

In response to concerns raised in the National Performance Review, GSA undertook a review of its significant building projects to ensure that the Federal

**PBS
Inventory-
Owned
vs. Leased
(Millions
of Sq. Ft.)**



Government's real estate program was meeting the needs of the American taxpayer. This action was completed ahead of schedule and is projected to ultimately generate \$1.2 billion in savings.

Space Management

PBS manages and protects 275.9 million square feet of workspace for Federal employees nationwide. This includes a real estate portfolio of 1,776 government-owned buildings and 6,421 buildings in which PBS leases space across the United States and its territories. The overall space utilization for GSA-controlled office space (the average space per employee) was 144 square feet for fiscal year 1994.

Building Services Cost

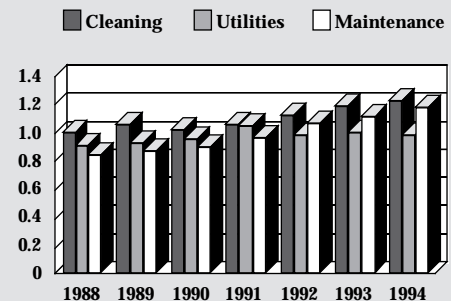
The cost of providing building services (cleaning, utilities, and maintenance) for fiscal year 1994 increased by \$16 million. This represents an overall increase of 2 percent from fiscal year 1993. The cost of cleaning was up 3 percent primarily as a result of higher costs for contractual services. Utility costs were down by 2 percent mainly due to PBS's proactive energy conservation efforts. Maintenance costs were up 5 percent largely as a result of more stringent environmental and safety regulations, including the requirement for CFC elimination in air conditioning systems. Collectively, they have required an update of our maintenance standards and use of more complex equipment. Further, for fiscal years 1993 and 1994 the square footage basis is GSA's operated inventory, as opposed to prior years which were external budget estimates.

Building Operations

In fiscal year 1994, \$530.5 million was authorized for repair and alteration projects. There was a continuing emphasis on improving health and safety and on repairing and modernizing Government-owned facilities.

At the end of June 1994, GSA achieved a BTU per gross square foot reduction of 11.8 percent from the 1985 base, exceeding the fiscal year 1995 goal of a 10 percent reduction as required by the Federal Energy Management Improvement Act of 1988. In financial terms, the benefits were numerous and significant. The estimated energy cost avoidance for fiscal year 1994 alone is \$158 million.

Building Operating Costs, Excluding Delegated Buildings (\$/Sq.Ft.)



GSA received \$3 million dollars in rebates for energy conservation projects from utility demand side management programs. GSA earned 11 of 39 Energy Conservation Awards sponsored by the Department of Energy's annual awards program, the largest number of energy awards received by any single Federal entity.

PBS originally had 265 projects dealing with building-wide risk to occupants and property. In fiscal year 1994, 10 of the remaining 19 such projects were completed. Sprinklers again averted a major fire loss, this year in the Richmond, Virginia Federal Building.

Leased Space Cost

When PBS is unable to satisfy the expansion needs of agencies through Government-owned buildings, it must lease space from commercial owners. The average rate for leased space increased in 1994 to \$16.45 per square foot from \$15.70 in 1993 as a result of higher rates for new leases. Numerous leases expired in 1994, and although rental rates had declined due to the depressed real estate market, renewal rates were higher than the original lease rates. Many of these leases had been entered into more than ten years ago when rental rates were well below the current rates.

Future Activities

Realignment

The Public Buildings Service (PBS) is engaged in a complete redefinition of its role as the provider of real property and associated services to the Federal Government, as well as a realignment of its resources to best perform that function. The new Service which is emerging from these efforts will be characterized by an organization struc-

tured along product lines attuned to specific customer requirements.

Organizational Structure:

The current organizational structure of PBS reflects the management philosophy and business technology of twenty years past. With customer focus as its objective, in January 1995 PBS began to sub-divide its organization into six business enterprises based upon product lines. They are:

- Portfolio Management
- Federal Protective Service
- Property Management
- Fee Development
- Commercial Brokerage
- Business Development

The Portfolio Manager is the “owner” enterprise that will hold all of **GSA**’s government-owned and leased properties and will be responsible for optimizing the value of the inventory and the return on equity. The Portfolio Manager will “hire” the other “service” enterprises to build, lease and operate buildings. Each “service” enterprise will be organized along the business line as a self-contained profit center responsible for delivering its full product or service.

FEDERAL SUPPLY SERVICE

1994

The Federal Supply Service (FSS) provides Federal agencies worldwide with the supplies, equipment, and services necessary to conduct business. In fiscal year 1994, FSS received 5.5 million requisitions, and supply operations generated gross sales of supplies and equipment worth \$1.8 billion. To meet this demand, FSS established 4,113 contracts to provide supply and procurement services. An additional \$2.7 billion in orders were placed directly by client agencies with these vendors.

We are examining ways to decrease inventory holdings when it benefits our customers and the taxpayer. Our customers, whether requisitioning from FSS or dealing with FSS-selected vendors, receive 77 percent of these products and services directly from the commercial distribution systems operated by FSS contractors.

GSA negotiates discounted rates for lodging and transportation for Federal travelers and manages an interagency fleet of over 145,000 vehicles, including the purchase and monitoring of alternative-fuel vehicles. In addition, FSS helps Federal agencies dispose of a variety of personal property that is no longer needed—everything from desks and x-ray machines to oil skimmers and fire suppression equipment. FSS either transfers the items to other Federal agencies or sells them to the public.

Funding

FSS funds its Supply Operations Program (including Personal Property Sales beginning in fiscal year 1994) and the Interagency Fleet Management Program with customer payments to the General Supply Fund (GSF). A direct annual appropriation provides funding for the utilization and donation activities within personal property,

schedules contracting, transportation management, and related programs. The cost of service contracts with commercial firms for the audit of transportation bills and for administration of the contracts is financed under a special fund derived from overcharges collected from private sector carriers.

The overall service production rate was \$2.3 million per paid staff year, reflecting a generally upward trend since 1983, when it was \$1.0 million.

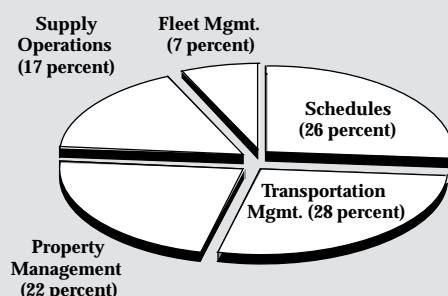
General Supply Fund Programs

The Supply Operations Program and the Interagency Fleet Management Program are financed on a full-cost-recovery reimbursable basis through the GSF. Legislation permits the GSF to price its goods and services to recover operating costs, as well as anticipated increases in the cost of replacing fleet vehicles and supply inventories held for sale.

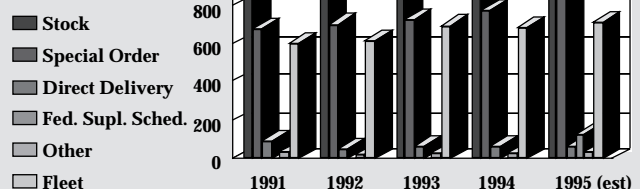
The GSF completed the year with a net income of \$138.8 million on gross revenues of \$2.5 billion, all of which is being retained in the fund for replacement of GSA assets, except for \$14.9 million which is being returned to the Treasury's Miscellaneous Receipts Account. Supply Operations had a net income of \$23.1 million on gross revenues of \$1.8 billion. Fleet Management generated a net income of \$115.7 million on gross revenues of \$694.3 million.

The Federal Supply Schedules Program was approved for full cost recovery industrial funding beginning in fiscal year 1995. The chart below represents estimated revenues during the first year of the three-year phase-in period.

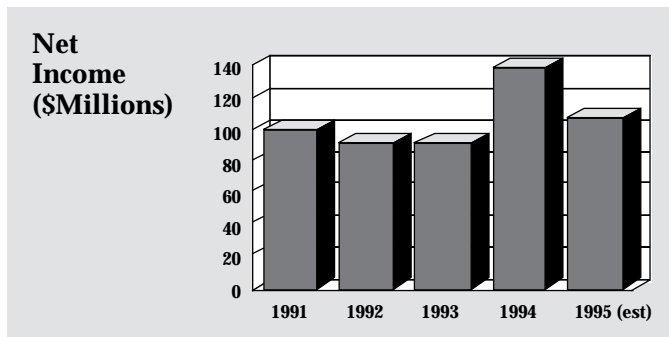
Service Volume by Major Program



Sources of Revenue (\$Millions)



Federal Supply Service



Supply Operations Program

FSS is recognized as the national supply system for Federal agencies. The Supply Operations Program is segmented into three main subprograms: Supply Distribution Facilities, Direct Delivery, and the Special Order Program. Operating costs per \$100 of total Supply Operations sales were \$17.24 for fiscal year 1994, compared to \$17.78 for fiscal year 1993. For purposes of this comparative analysis, total costs include all costs except cost of goods sold.

Supply Distribution Facilities

FSS operates four main distribution facilities and eight "satellite supply points" through which commercial commodities are received, stored, and issued to Federal agencies on both a wholesale and a retail basis. In fiscal year 1994, these facilities incurred a net loss of \$1.5 million on \$913.3 million in sales. Operating costs per \$100 of supply distribution facilities sales were \$20.51 versus \$19.86 in 1993. This resulted from decreased sales due to the downsizing of the Department of Defense. For purposes of this comparative analysis, the only costs included are operating expenses, which are composed of salaries, rent, administrative overhead, etc.

In terms of service, both the percentage of requisitions filled from stock (fill rate) and the number of unfilled requisitions (back orders) fared well against goals. Actual average fill rate was 95 percent, exceeding the goal of 91 percent. Backorders averaged only 22,537, considerably lower than the ceiling of 45,000. On average, stock requisitions received by FSS during fiscal year 1994 were shipped in 12.5 days against a goal of 12 days.

The Customer Supply Center (CSC) program offers our customers easy-access telephone ordering, quick ship-

ment and rapid delivery of their most frequently needed administrative supplies. It has been the solution for many agencies as they look for ways to reduce their in-house inventory holdings of such items, thereby freeing space and human resources for their mission activities. We will continue to help agencies as they seek ways to reduce the cost of supply operations. The CSC fill rate (the measure of goods on-hand to fill orders) was 96.3 percent, below the goal of 98 percent but above the 1993 rate of 93.8 percent. The percent of retail orders shipped to the customer within 24 hours was 99.8 percent, surpassing the goal of 97 percent.

Throughout 1994, FSS supported international humanitarian efforts in Rwanda/Zaire, the Federal response to flooding in the southeastern United States, agencies responding to the Cuban immigration crisis, firefighters battling record blazes in the western United States, and deployment of U.S. forces to Haiti. Many hours of overtime were logged in FSS warehouses to expedite deliveries.

Direct Delivery

Direct deliveries include items which are normally stocked, but are sent directly from vendors to the requisitioning agency when the quantity of an item ordered is sufficiently large, or when it is otherwise advantageous to save depot handling costs. This activity experienced a \$3.2 million operating profit on \$75.2 million in revenues.

Special Order Program

Through the Special Order Program, FSS places orders with commercial suppliers on behalf of clients, with delivery made directly by the vendor to the customer. This activity covers commodities which are not commonly used and/or cannot be economically stocked in depots.

Business activity in all components of the Special Order Program was much greater than anticipated, and generated \$20.4 million in net income from \$786 million in revenues. The largest component of the Special Order Program is the Automotive Commodity Center, for which sales were \$415.2 million, or 19.2 percent lower than anticipated.

Other Supply Operations Activities

These activities include Reimbursable Export Operations,

Miscellaneous Reimbursable Operations, Furniture Reclamation, Personal Property Sales, Fuel Yard Operations, and other miscellaneous activities. They generated \$32.1 million in revenue in 1994, but incurred a net operating loss of \$7.4 million. The loss was anticipated since miscellaneous activities include overhead charges for some equipment, depreciation, claims, and other financial adjustments, and allowances for these expenses are included in the pricing and revenue generated in each of the supply programs noted above.

Procurement Reinvention Laboratory

Under the Vice President's National Performance Review, GSA has implemented a Commercial Products Acquisition Laboratory (CPAL) to provide customers an easy way to buy commercial items. While part of the Special Order Program, the two components of this lab have been given their own identity: Commercial Acquisition of Multiple Products (CAMP) and New Item Program (NIP). FSS has completed its first year under the CPAL initiative, and sales through fiscal year 1994 have exceeded \$12.7 million. The first CPAL procurements became effective in October 1993 with the introduction of new items such as chemical cleaning dispensing systems and above ground storage tanks. To date, over 5,000 National Stock Numbers (NSNs) have been assigned, with 2,205 NSNs currently active. Ninety-one CPAL projects are underway and to date 152 contracts have been awarded for such items as utility vehicles, refrigerant recycling systems, oil filter crushers, tool cabinets, jumbo roll paper products, cleaning chemicals, above ground storage tanks, kitchen units, and brushes and rollers. The programs permit agencies to choose products that provide best value for their requirements from multiple commercial suppliers. Agencies order through GSA, taking advantage of its fully electronic ordering, billing, and paying systems, thus saving their acquisition resources for mission-specific needs. GSA vendors also benefit from the electronic processing with only one entity, GSA, rather than the often paper-based processing with thousands of individual agency ordering offices.

Electronic Commerce

The FSS electronic data interchange (EDI) program has been operating for six years, and annual transaction values exceed \$1 billion. It has expanded to not only include electronic transmission of purchase orders, but also receipt of electronic invoices. The EDI trading partner

base has grown to over 145 vendors; approximately 50 percent of all FSS business is conducted via EDI. Testing is underway for electronic transmission of Requests for Quotations and responses to Requests for Quotations. This should dramatically increase the number of vendors doing business electronically.

In fiscal year 1994, FSS implemented automated telefax purchase orders for vendors not currently set up for EDI. There are approximately 4,100 vendors signed up for the telefax program, and, on average, 1,000 purchase orders, or about 35 percent, are telefaxed daily. The telefax program has resulted in significant benefits, including decreasing mail/distribution costs to about 10 cents per purchase order, reducing mail time by 7 days, and decreasing processing workload.

Fleet Management Program

The Interagency Fleet Management System (IFMS) provides vehicle services to Federal agencies. The rates charged to fleet customers cover all costs and anticipated increases in the replacement cost of vehicles. The fleet generated net income of \$115.7 million (of which \$107.2 million was retained to cover anticipated increases in replacement costs) on gross revenues of \$694.3 million.

In fiscal year 1994, the IFMS included over 145,000 vehicles, reflecting a continuing upward trend in the size of the fleet. Increased customer demand and fleet consolidations, including those carried out under the Fleet Reinvention Laboratory (discussed below), keep the fleet growing. Continued expansion of the fleet is expected.

Studies continue to show that our costs are lower than those in the private sector. The fleet's 1994 operating cost per mile was 27.2 cents versus 26.9 cents in 1993.

The successes achieved domestically prompted our customers to request that we expand our fleet services to Panama. In fiscal year 1994, we consolidated the Army's non-tactical fleet in Panama and opened our first foreign operation. The Panama fleet operation supports the Administration's initiative for expanded use of U.S.-manufactured vehicles and parts in non-U.S. markets. The accomplishment of the first foreign consolidation has paved the way for future overseas fleet operations. The Army has requested that GSA evaluate the feasibility of consolidating their non-tactical fleet in Europe. That evaluation is underway.

Federal Supply Service

FSS has taken a leadership role in developing environmental programs that meet or exceed legislative requirements. The Alternate Motor Fuels Act of 1988 (Public Law 100-494) was passed to encourage (i) the development and widespread use of methanol, ethanol, and natural gas as transportation fuels, and (ii) the production of vehicles powered by methanol, ethanol, and natural gas. Through fiscal year 1994, GSA has ordered 9,650 alternative-fuel vehicles for the IFMS fleet. These vehicles operate in a variety of locations nationwide, and include methanol flexible-fuel sedans and vans, ethanol flexible-fuel sedans, and compressed natural gas passenger vans and mini-vans.

The Energy Policy Act (Public Law 102-486) requires the Federal fleet to purchase alternative-fuel vehicles. FSS plays a major role in implementing the requirements of this legislation for the acquisition of alternative-fuel vehicles, reporting to Congress, educating and offering incentives and awards to other Federal agencies, and promoting the program nationwide. To promote an even more aggressive approach to cleaner air and energy conservation, the President issued Executive Order 12844, which requires the Executive Branch to exceed the levels set in the Act by at least 50 percent. Working to meet these requirements and continue our leadership role in alternative-fuel vehicle acquisition, FSS plans to order an additional 8,000 alternative-fuel vehicles during fiscal year 1995 for use by our fleet customers.

Fleet Reinvention Laboratory

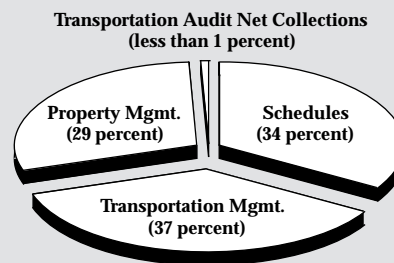
In an effort to promote economy and efficiency, GSA developed an Interagency Fleet Consolidation Reinvention Laboratory under the auspices of the National Performance Review. The lab provided GSA the opportunity to transfer the ownership and management of more than 6,400 vehicles from other agencies into the IFMS and produced an annual savings/cost avoidance of over \$7.3 million. The lab also provided the agencies involved the opportunity to acquire motor vehicles and related fleet services from GSA in an expedited manner and realize the associated benefits and cost savings immediately. These benefits and savings result from the significant reduction in vehicle down-time with a newer fleet, diminished need for "backup" vehicles due to improved reliability, and an overall reduction in maintenance and repair costs. The successful expansion efforts

and expedited service delivery support provided as a result of the reinvention process has led to additional requests for consolidation in other locations, both domestic and foreign.

Appropriated Funds Programs

In fiscal year 1994, appropriations of \$58.6 million covered the operating expenses of the Schedules, Transportation Management, Personal Property Utilization/Donation, and Aircraft Management Programs which provided nearly \$8 billion in goods and services throughout the Federal government.

FY94 Service Volume Supported by Appropriation



Schedules Program

This program provides contracts against which Federal agencies may purchase standard goods and services by ordering directly from contractors at previously-negotiated, volume-buying, discount prices. Some of the most popular schedule contracts are for photographic copiers, systems furniture, publications, and law enforcement equipment. Agency purchases under this program were \$2.7 billion. The FSS cost to maintain the program was \$22.0 million.

Overall emphasis in this program has been on customer relations, product quality, and uninterrupted supply. At the end of the fiscal year 1994, 1,817 contracts were in place for 96 percent of the goods and services covered through this program.

Transportation Management Program

Negotiated airline contracts, contracted travel agency services, hotel/motel discounts, a charge card/travelers check program, and small package express service pro-

vide support and service Governmentwide. In total, agencies' use of the FSS travel card and transportation services resulted in \$2.9 billion in services at a cost to the Government of \$9.7 million during fiscal year 1994. In fiscal year 1993, \$16.5 million supported \$2.5 billion in activity.

Transportation program highlights for fiscal year 1994:

- To streamline paying for official travel, Federal employees use charge cards in lieu of large cash advances to cover employee travel expenses. Increased usage of the charge card generated sales of \$2.7 billion, 17 percent above the \$2.3 billion in fiscal year 1993. Over one million cards have been issued to over 120 participating organizations.
- Unrestricted low fares with AMTRAK and 16 commercial airlines are available on 3,714 domestic and international routes. The fares averaged 50 percent off regular coach, yielding an estimated \$1.2 billion savings for the Government in 1994 travel costs.
- The GSA Standard Tender of Service (STOS) governs the relationship between the Government as a shipper of freight and the motor carrier industry. The STOS has standardized the description of services, charges, and base-line rates and is conservatively estimated to have saved the Government over \$80 million in 1994.
- The next-day, small package express contract program completed its eleventh successful year in 1994. Federal shippers sent over 7.4 million packages via the contractor, at a cost of \$50.2 million, or 76 percent less than the cost of comparable commercial service.
- GSA processed almost 18,000 requests from civilian agencies for cost comparisons for shipping the household goods of relocating employees. GSA identified available discounts of up to 45 percent off comparable commercial tariffs.

Property Management

FSS manages and operates a Governmentwide personal property program, including the utilization, donation, and sale of personal property.

- In fiscal year 1994, FSS generated \$1.3 billion in savings for the Government through its utilization program with the transfer of excess personal property to meet the requirements of other Federal agencies.

- The donation program created \$819.2 million in savings by giving usable surplus property to states for donation to public agencies and certain non-profit, tax-exempt activities. Of this amount, approximately \$4.4 million was supplied to public and non-profit agencies that assist homeless individuals.
- The sales program sold surplus property, that which is no longer required by the Government, and handled the exchange/sale of Government-owned personal property, that which is still required by the Government but is being replaced due to age, condition, etc., with a total fair market value of \$190.9 million.

**Total Dollar
Volume
Property
Mgmt.
FY 92 - 94
(\$Millions)**



In total, the Property Management Program generated nearly \$2.4 billion in savings at a cost of \$23.0 million (\$11.6 million in direct appropriations for the utilization and donation programs; \$11.4 million through the GSF for the sales program). These figures compare to \$2.0 billion in savings and costs of \$21.8 million (all appropriated) in fiscal year 1993.

Special Functions

Transportation Audits

The Office of Transportation Audits examines freight and passenger transportation vouchers paid by the Federal government and recovers excess charges from transportation carriers. In fiscal year 1994, FSS incurred \$13.3 million in obligations, audited approximately 7 million bills, and recovered \$12.3 million in overcharges.

Program emphasis is shifting from auditing after payment to encouraging individual agencies to use auditors available under FSS contracts to examine invoices before carriers are paid. Approximately 1.6 million bills were

Federal Supply Service

audited prior to payment in 1994, and \$9 million in excess charges were avoided — a slight decrease from the 1.9 million bills audited and \$9.2 million in excess charges avoided in 1993. Agencies using FSS prepayment audit contractors have saved more than \$36.1 million since the start of the program in 1990.

Future Activities

FSS foresees significant business opportunities as a result of the passage of the Federal Acquisition Streamlining Act of 1994, which will allow State and local governments, as well as the National Industries for the Blind and NISH, to use FSS as a supply source.

As a result of one of the National Performance Review recommendations, FSS will make all future Multiple Award Schedule contracts non-mandatory for Federal agencies. GSA hopes to encourage competition and provide choices to our customers. The change to non-mandatory schedules will be phased in over the next several years. As new solicitations are issued on schedules, the non-mandatory status will be effected.

It is FSS senior management's intention to either launch, or continue toward closure on, a number of initiatives during fiscal year 1995 in furtherance of our re-engineering efforts. For example, based on either in-house projects and/or working partnerships with other Federal agencies, FSS plans to:

- Effect a major overhaul of our travel and relocation policies.
- Streamline the personal property donation process.
- Add 6,000 vehicles to the Interagency Fleet Management System (IFMS) increasing the total to 151,000.
- Bring an additional 8,000 alternative-fuel vehicles into the IFMS.
- Redesign the ADP system that supports the utilization and donation programs.
- Reduce costs and improve service of Governmentwide mail management.
- Further promote Governmentwide availability of environmentally-oriented products.

INFORMATION TECHNOLOGY SERVICE

1994

The Information Technology Service (ITS), formerly the Information Resources Management Service, provides services, oversight, and leadership in information resources management programs for the Federal Government. This includes managing totally reimbursable voice and data systems policy and procurement for the Federal Government. ITS sets policy for the acquisition of information technology governmentwide, assists agencies in purchasing computer equipment, information systems, and office automation, and offers a training program for executives responsible for all phases of systems procurement.

Funding

ITS manages totally reimbursable voice and data systems policy and procurement, as well as systems services for the Federal Government. Additionally, ITS and the Office of FTS2000 are funded through the Information Technology (IT) Fund. ITS receives an appropriation for 6 percent of its funding.

The IT Fund accumulates profits into reserves which are used to finance major systems acquisitions and improvements, thereby allowing for more stable rates for services. The Office of Management and Budget (OMB) authorizes funding levels and approves uses of the reserves. The current OMB-approved ceiling for the Local Telecommunications Program reserve is approximately \$91.3 million. The Working Capital reserve, contributed to and used by all IT Fund programs, has a ceiling of \$40 million.

Activities Funded by the Information Technology Fund

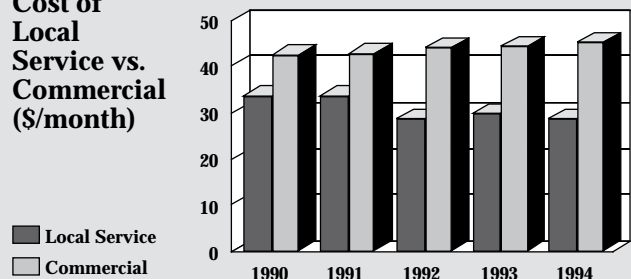
The Local Telecommunications Program's two major reimbursable activities are local calling services and Purchase of Telecommunications Services to meet the needs of Federal agencies. The Local Telecommunications Program is committed to satisfying clients' requirements by offering an effective mechanism to acquire the best and most cost-effective local telecommunications products and services in a timely manner. To maintain its competitive edge and provide a structure for its role as a catalyst for improvement, ITS maintains close relationships with Federal agencies to understand their ever-changing needs in such areas as data base sharing, fiber-optic networks, and electronic mail.

During fiscal year 1994, the program recorded revenue of \$273.0 million. Net income for the Local Telecommunications program in fiscal year 1994 was \$16.4 million.

This year ITS is tracking its performance on a measure of local telephone service rate comparisons. The average monthly line rate for Federal agency telephone service in fiscal year 1994 was approximately 36.5 percent less than the equivalent commercial rate. The equivalent commercial rate is determined by averaging the basic commercial line rate, which typically includes call forwarding, call pick-up, speed dialing, and conferencing.

The Local Services Program provided monthly service in fiscal year 1994 for an average of \$28.70 which compares favorably to the equivalent commercial line rate of \$45.23. In the past five years, the equivalent commercial line rate has increased 6.2 percent from \$42.60 to \$45.23, while the monthly ITS line rate has decreased 14.8 percent from \$33.70 to \$28.70.

**Cost of
Local
Service vs.
Commercial
(\$/month)**



This decrease results from several ongoing Local Service management initiatives. The systematic, competitive replacement of systems through the Aggregated Systems Procurement (ASP) program has resulted in an average of 30 percent in cost reductions for the four ASP awards in fiscal year 1994. Other management initiatives such as the aggregation of services, aggressive equipment and usage optimization, as well as the exercising of purchase options to increase cost effectiveness and save the taxpayer millions of dollars, will ultimately result in rate stability for Federal clients. This favorable posture has resulted despite significant reductions in resources. The number of full time employees has been reduced 45 percent from 1,185 in fiscal year 1986 to 654 in fiscal year 1994. Efforts

Information Technology Service

have been directed at developing and maintaining a technically proficient work force. As of the end of fiscal year 1994, 100 percent of the technical work force has received concentrated data communications training that will help bridge the gap between telecommunications today and tomorrow.

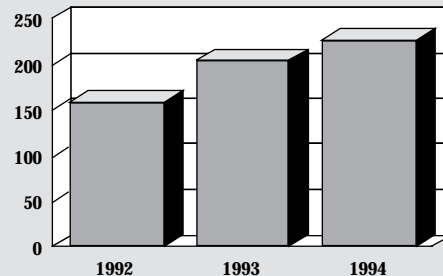
The Purchase of Telecommunications Services (POTS) Program provides a variety of new and reconditioned telephone station equipment, digital private branch exchange systems, cellular phones, along with installation, relocation, wiring, cabling, and maintenance of equipment acquired through POTS contracts or owned by the Government. In fiscal year 1994, the POTS component of the program saved Federal client agencies \$11.3 million on purchases of \$37.6 million, which represents a 30 percent savings when compared to prices in the commercial open market.

The Information Security Program provides security management, systems engineering and administration, and integration and support services for classified and sensitive mission critical operations. Services are available worldwide on a routine or emergency basis. Emergency support is provided on a 24 hour basis; and in 94.5 percent of the cases, responses to clients' requests to restore their secure communications met the goal of six hours or less. Fiscal year 1994 revenue for the Information Security Program was \$34.7 million, an \$8.3 million increase from fiscal year 1993 revenue due primarily to rising business volume.

The Federal Information Systems Support Program (FISSP) provides Federal Government agencies with systems definition and design, business and scientific software services, computer security studies and risk analysis, facilities management, and other related services through contracts with private sector vendors. In 1994, FISSP provided services to 625 Federal clients on 1,747 projects. Clients are billed for the contractor payment required for each project plus a surcharge to recover operating expenses. FISSP surcharges (rates) are a function of business volume, and business volume increased markedly. Payments to the contractors, the major component of business volume, increased to \$226 million in fiscal year 1994 from \$204 million in 1993. The major reason for this 11 percent increase was that all zones offered a full range of contracts coupled with healthy program

development activities. Current year operations enabled the FISSP to achieve a profit of \$6 million. Continued growth in business volume in fiscal year 1995 is expected to ensure the vitality of the program.

**FISSP
Contractor
Payments
(\$Millions)**



The Federal Data Processing Centers help Federal customers with acquisition, systems integration, office systems, software management, and data center management. There are three centers: the Federal Systems Integration and Management Center (FEDSIM), the Federal Computer Acquisition Center (FEDCAC), and the Federal Procurement Data Center (FPDC).

FEDSIM provides technical and contractual services to Federal agencies in acquisition, integration, management, and the use of information systems and information technology. During fiscal year 1994, FEDCAC competitively awarded five projects totaling approximately \$191 million in information processing resources acquisitions for Federal agencies. These acquisitions include hardware, systems software, and associated services such as maintenance, training, and systems analyst support. The FPDC assembles and produces the Congressionally-mandated Federal Procurement Report. Current year operations enabled these centers to achieve a profit of \$630,000.

Activities Funded By Appropriation

ITS performs non-reimbursable activities, representing 17 percent of its staffing and 6 percent of its total funding, which focus on oversight and effective leadership throughout the Federal Government. For example, ITS directs and manages governmentwide programs for the procurement and use of automated data processing (ADP), information systems, and records management. ITS also develops and coordinates governmentwide and internal GSA policies, procedures, and regulations relat-

ed to ADP, telecommunications, and records management, and manages the Federal Information Center.

In 1994, ITS awarded 825 contracts under the Multiple Award Schedule for commonly used information services and products. This enabled Federal agencies to take advantage of volume discounts and avoid unnecessary costs by paying less for items that have already been negotiated, as well as avoid the costs of awarding contracts since the vendors are under the Multiple Award Schedule. Estimated sales for contracts used by Federal agencies were approximately \$1.5 billion in fiscal year 1994. ITS has developed a menu driven bulletin board and database system to facilitate Federal agencies in acquiring ADP and telecommunications equipment. The On-Line Schedule System (OSS) provides Federal agencies on-line access to more than 430 vendors' schedule catalogs and 150,000 line items that contain ordering information, terms and conditions, up-to-date pricing, and a functional search and query capability.

During the fiscal year, ITS processed more than 796 requests from Federal agencies for Delegations of Procurement Authority totaling approximately \$13.6 billion. Processing time for these requests averaged ten days, compared to a standard of 20 days. Ninety-six percent of these were processed within an average of fourteen days. This is important because Federal agencies can proceed rapidly on acquisitions knowing that the average review time is only ten days.

ITS conducts the Trail Boss Program, which prepares senior managers to lead major information technology acquisitions. The program, which added 228 graduates in fiscal year 1994, to the 573 already trained, prepares senior agency managers primarily through its three executive seminars. In these intensive two-week, graduate-level programs, students hear from a variety of experienced practitioners from Government, academia, and industry. These practitioners address a wide variety of technical, legal, and leadership issues affecting them and their mission-critical programs. Many of these managers are directly involved in today's major Federal information technology acquisitions.

As of the end of fiscal year 1994, ITS continued to comprehensively monitor more than 100 major acquisitions of \$50 billion in information processing resources by

Federal agencies. By monitoring the 100 largest acquisitions, as opposed to monitoring all acquisitions, ITS can effectively maximize cost savings to the Government and minimize expenses.

ITS conducted six Information Resources Procurement and Management Reviews in fiscal year 1994. These reviews analyzed the strengths and weaknesses of agencies' information resources management programs and were used to help determine the delegation of procurement authority threshold granted to each agency. The 27 Federal agencies with the highest information technology budgets received increased delegated procurement authority in fiscal year 1994. These increased from an average of \$3.3 million in 1988 to \$4.5 million in 1994. Each review seeks the underlying causes of problems, and the resulting list of recommendations identifies opportunities for improvement, efficiencies, economies-of-scale, and cost savings.

Future Issues

Reorganization & Realignment

Effective October 14, 1994, the Information Resources Management Service (IRMS) is the Information Technology Service (ITS) and the existing organizational structure will be realigned by business functions in order to better serve its customers. Under the realignment, individual business lines within ITS will be reorganized to give greater flexibility to each program, and the actual operations will be moved as close as possible to the customer in order to improve all aspects of customer service.

"Time Out" Policy

To ensure that taxpayers are getting the best return on their investment, ITS will also work with other agencies to improve the acquisition of large systems that cost \$100,000 or more. During an acquisition, ITS may call a "Time Out" when an agency's major system is troubled and work with them to correct any major flaws. The objective is to restore it to a more efficient, cost-effective state, thus better enabling it to meet its agency's original mission before the acquisition can continue. The "Time Out" policy is being instituted cooperatively between ITS and the affected agencies.

Governmentwide Electronic Commerce

Executive Memorandum "Streamlining Procurement Through Electronic Commerce," dated October 26, 1993, requires that electronic commerce be implemented for appropriate Federal purchases as soon as possible. In the past, doing business with the Federal Government required that vendors register and provide information separately to each procurement office in each agency. An interagency team has been formed by the Secretary of Defense and the Administrator of GSA to develop a comprehensive plan for implementing electronic commerce governmentwide and bringing a "single face to industry." The goals of this project are:

- Single electronic registration and acquisition with any and all agencies;
- Single electronic access through a networking arrangement of the vendor's and the agency's choosing; and
- Single set of electronic message formats that would work for all agencies.

The resulting system will not only be more efficient for agencies and industry, but will also open up opportunities for small and disadvantaged businesses, by increasing the visibility of Government purchasing actions. ITS will play a significant role within the newly formed Electronic Commerce Program Management Office (ECPMO) for managing the implementation, by department and agency, of the Federal Government electronic commerce architecture. The Office is funded by \$3.85 million of IT Fund reserves.

Governmentwide Electronic Mail Reinvention Lab

To make Government more efficient and more responsive, the National Performance Review calls for seamless communications across agencies and to the public through a governmentwide electronic mail infrastructure. As in the business world, electronic messaging is becoming essential to government. GSA is providing leadership in fostering partnerships with industry and Federal, State and local governments to achieve a governmentwide electronic mail infrastructure that is more efficient and user friendly. ITS is conducting an Electronic Mail Reinvention Laboratory Project, funded by \$3 million of reserves in fiscal year 1995, to demonstrate how selected pilot agencies can improve communication and business

processes by using electronic mail instead of the current paper-based process. This will inevitably lead to a Government that operates more efficiently and ultimately provides better use of tax dollars.

Local Telecommunications Reinvention Lab

The Local Telecommunications Services reinvention laboratory aims to improve customer satisfaction and increase choice. Specifically, it offers expanded telecommunications services beyond simple dial tone service to customer agencies like data transmission, voice mail, electronic mail, local area networks, and video services. Agencies in the pilot will be able to choose between ITS and local commercial vendors for the best prices and services. The lab, which affects more than 4,000 phone lines, has contracted for an in-depth report on current and future telecommunications needs. Currently, the local telephone service line rate that ITS charges its customers compares favorably with private industry. In fiscal year 1994, ITS' average governmentwide line rate of \$29.51 compared favorably with the average commercial rate of \$47.26.

Multiple Award Schedules Program

Every year, the Schedules Program provides approximately \$2 billion worth of personal computers, software, and peripherals to Federal customers. A new pilot has increased agencies' Maximum Order Limitation from \$300,000 to \$500,000, giving them more flexibility to determine and meet their needs and requirements. In addition, ITS teamed up with the Federal Supply Service and the Office of the Chief Financial Officer to put the Multiple Awards Schedule System on-line. The On-Line Schedules System (OSS) gives customers and vendors instant access to a listing of many GSA products from a multitude of GSA vendors, and over 150,000 products from over 440 vendors. This on-line system is accessible electronically 24 hours a day, 365 days a year, from anywhere in the world. The system will provide electronic commerce capabilities within the next fiscal year allowing customer agencies to order information technology items on-line from a computerized list of products and services continuously updated by vendors.

Revised Information Technology Delegation Thresholds

ITS will revise its information technology delegation thresholds by raising them to levels recommended by the

National Performance Review. However, these raised delegations will be tied to outcome measures developed by agencies and approved by **GSA**. It is intended that these changes will increase the flexibility of the agencies while also increasing the focus on measurable results as ITS moves from being a part of each agency information technology procurement transaction to becoming more of a facilitator for new procurement systems, policies and processes.

Federal Information Systems Support Program (FISSP) Reinvention Lab

ITS is committed to conducting a FISSP reinvention laboratory whose goal is to provide information technology services more efficiently and economically relating to

master contracts for data services. Specifically, it will allow Federal agencies to place orders directly (without ITS involvement) with industry contractors resulting in reduced overhead costs to the customer, and **GSA** will establish multiple contract awards to increase the diversity of the business base and make Government less dependent on single contractors. An Office of Management and Budget approved initiative is underway to retain the FISSP fiscal year 1994 net income to establish a FISSP Reserve Account for critical capital investments that do not recur annually. The use of this account will allow ITS to maintain stable prices to clients that reflect current year operations, while investing in activities and facilities that are needed to maintain and improve the delivery of high quality services.

The Office of FTS2000 provides management and oversight for FTS2000, the Federal Government's program for integrated long-distance voice, data, and video telecommunications services. The operations of FTS2000 are financed through the Information Technology (IT) Fund. Additional information on the IT Fund is contained in the Information Technology Service section earlier in this report.

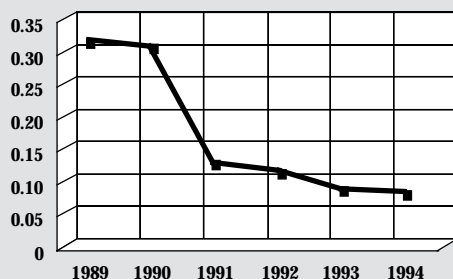
Current Activities

Since the implementation of FTS2000 during fiscal year 1990, the number of customers and demand for service continue to increase. During fiscal year 1994, the number of customers reached 1.7 million and the usage for switched voice service was nearly 4.5 billion minutes, up from 3.9 billion minutes in fiscal year 1993. The 15 percent increase from fiscal year 1993 to 1994 was due mainly to the migration of Department of Defense requirements to FTS2000.

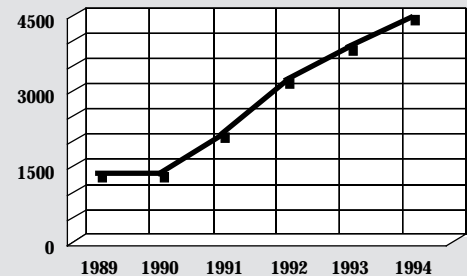
Though usage of switched voice service continues to increase, non-voice services represent a growing portion of the program's revenue share. Non-voice services include dedicated transmission service, packet switched data service, switched data service, switched digital integrated service, and video teleconferencing service. During fiscal year 1994, the revenue share for non-voice services climbed to 32 percent from 27 percent in fiscal year 1993.

Since the implementation of FTS2000, voice usage has increased while the cost per minute has significantly decreased. The usage cost per minute for voice service declined from 9.1 cents during fiscal year 1993 to 8.6 cents in fiscal year 1994. The cost reduction resulted from contractor price decreases and volume discounts.

**FTS2000
Long
Distance
Voice
Service:
Cost per
Minute
(Cents)**



**FTS2000
Long
Distance
Voice
Service:
Minutes
of Use**



As part of the FTS2000 contracts, the Government has two mechanisms in place to control prices. The first is Price Redetermination/Service Reallocation (PR/SR), which provides for price recompetition during contract years 4 and 7. Fourth year PR/SR, completed in fiscal year 1993, resulted in significant price reductions, projected to be \$450 million over the remaining life of the contracts. Planning is currently underway for seventh year PR/SR, which will become effective in December 1995.

The second price control mechanism used by the Government is GSA-negotiated Publicly Available Price Caps (PAPCap) agreements. These agreements ensure that prices obtained during PR/SR continue to track the market and remain below the best comparable commercial rates. Six quarterly price evaluations have been conducted since the initial PAPCap analysis in April 1993, with FTS2000 continuing to be below the best comparable commercial rates. Actual FTS2000 cost savings for five quarters since the initial analysis total \$13.9 million.

GSA reported to Congress on the cost effectiveness of the FTS2000 program on August 15, 1994. The report concluded that FTS2000 prices in aggregate are significantly lower than equivalent commercial prices without considering the value of unique Government requirements. Additionally, the report determined that the PAPCap and PR/SR mechanisms have worked successfully in maintaining the competitiveness of FTS2000 prices with the commercial marketplace and that the FTS2000 program serves the requirements of the Government in the most cost effective manner available.

To maintain competitive prices, management costs to operate the FTS2000 program must be kept to a minimum. Management support expenses were reduced by approximately 10 percent from fiscal year 1993 to 1994.

through lower employment levels and administrative savings. As a result, the FTS2000 overhead rate applied to agency costs for long-distance services was reduced from 9 percent in fiscal year 1993 to 8 percent in fiscal year 1994. The fiscal year 1995 rate is expected to remain at 8 percent.

Customer Satisfaction

Quality service remains the focus of the FTS2000 program based on the following results from program performance measures:

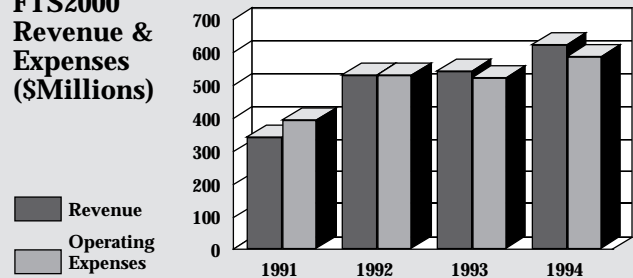
- Customer satisfaction was 96 percent based on contact with customers who reported service problems. Customer contact is made to determine if they were satisfied with the handling of their problem by the contractor. The program's goal is a customer satisfaction level of 95 percent or higher.
- Only 4 voice service problems per 100,000 calls were reported on average by customers. The program's goal is 10 or less voice service problems per 100,000 calls. The industry benchmark is 20 per 100,000.

To meet agencies' demands, numerous service enhancements were added to the FTS2000 contracts during fiscal year 1994 to ensure availability of state-of-the-art telecommunications services and features. Additionally, substantial progress has been made with both contractors to reduce the resolution time on billing disputes. The program also converted to monthly billing in arrears during fiscal year 1994 in response to customer preference.

Revenue and Expenses

The program's revenue increased to \$621.2 million in fiscal year 1994 from \$543.4 million in fiscal year 1993. Program operating expenses were \$585.7 million during fiscal year 1994 compared to \$520.0 million in fiscal year 1993. The fiscal year 1994 operating expenses include \$18.2 million in one-time program costs paid from the IT Fund reserves. The net income for the program in 1994 was \$35.5 million, compared to a net income of \$23.4 million in fiscal year 1993. Net income for fiscal year 1994 reflects the reversal of certain prior year contingent liabilities and will be retained for future one-time program costs.

**FTS2000
Revenue &
Expenses
(\$Millions)**



Future Issues

The current FTS2000 contracts expire in December 1998. The Office of FTS2000, in conjunction with the Interagency Management Council (IMC), is continuing to plan for the provision of services after the current contracts expire. Efforts during fiscal year 1994 included:

- In October 1993, a Concept Development Conference was held which allowed interested parties to comment on various aspects of the post-FTS2000 environment.
- In November 1993, a study was released entitled "Networking for a Reinvented Government: Federal Telecommunications Requirements and Industry Technology Assessment." This study was an assessment of the Government's future telecommunications requirements and the development of the telecommunications industry.
- The IMC and the Department of Defense (DOD) established the Joint Concept Review Committee to determine the extent to which the systems requirements of the follow-on effort and DOD's Defense Commercial Telecommunications Network could be consolidated. In April 1994, GSA and DOD announced an agreement to start formulating consolidation plans for a joint telecommunications effort.
- In April 1994, a "Post-FTS2000 Acquisition White Paper" was released which defined eight possible strategies for replacing FTS2000. The report provided an opportunity to comment on the proposed alternative strategies in order to identify a preferred acquisition approach.
- In September 1994, a report, "Analysis of Post-FTS2000

Office of FTS2000

Acquisition Alternatives,” was released. The report described the analysis of the alternative acquisition strategies proposed in the White Paper, selected a defined set of alternatives and solicited industry comment. A follow-up comment review panel was planned.

Working towards the future, the Associate Administrator for FTS2000 has been actively involved in achieving the goals of the National Performance Review (NPR), especially those concerned with service to the citizen. He is a

member of the Government Information Technology Services (GITS) Working Group which is empowered by the NPR to implement recommendations concerning information technology. He is the Chairperson of the Customer Service Improvement Team (CSIT) which is chartered by GITS to implement NPR recommendations to improve government services to the citizen through information technology. Planning for the post-FTS2000 environment supports the Administration’s goals for developing the National Information Infrastructure (NII).

FEDERAL PROPERTY RESOURCES SERVICE

1994

The Federal Property Resources Service (FPRS) administers Federal real estate asset management programs pursuant to provisions of the Federal Property and Administrative Services Act of 1949 (Property Act), as amended, and Executive Order 12512 of 1985. FPRS seeks to ensure that Federal real property is consistently put to optimal use. To accomplish this goal, FPRS assists other Federal agencies in identifying excess property and then pursues the best method to dispose of it. FPRS uses its direct disposal authority under the Property Act to dispose of properties or, on a reimbursable basis, disposes of properties for other agencies under the Economy Act (31 U.S. Code 1535a). FPRS transfers Federal real estate to other Federal agencies for further use, donates unneeded real estate to State and local governments and nonprofit institutions for certain public benefit purposes, or sells it by competitive public sale.

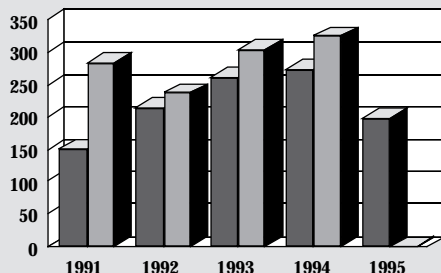
Additionally, FPRS provides Governmentwide real property utilization and disposal policy guidance and oversight, conducts compliance inspections to ensure that property conveyed for certain public benefit purposes is being used for that purpose, and develops asset management legislative proposals and policy recommendations.

Executive Order 12512 Survey Program

FPRS is responsible for promoting the optimum utilization and disposal of Federal real property in the most timely, economical, and efficient manner. The following chart outlines the recent history of the Executive Order 12512 real property survey program, the purpose of which is to identify properties not utilized, underutilized, or not being put to optimum use.

Number of Surveys Completed, Actual vs. Goal

■ Goal
■ Actual



During fiscal year 1994, FPRS surveyed for use 323 properties worth \$5.1 billion, 118 percent of the property survey goal and a seven percent increase over the fiscal year 1993 level.

Survey Results:

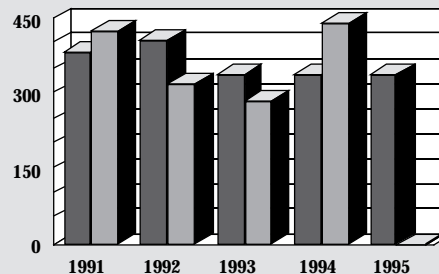
Survey Recommendations	Value of Property
Retain for current use	\$1.4 billion
Unneeded for current use-release	\$12.5 million
Management improvements needed	\$106.6 million
Still under review	\$3.6 billion

Real Property Disposal Program

FPRS disposes of excess and surplus property by sale, transfer, exchange, and donation for public purposes. During fiscal year 1994, FPRS disposed of 441 properties valued at \$170.4 million, achieving 130 percent of the \$131 million goal and exceeding last year's \$124 million level by 37 percent. Many of these disposals will provide socioeconomic benefits. For example, properties were reassigned for use as homeless shelters aiding 600 persons. Newly designated park and wildlife areas and health and education facilities will benefit more than 340,000 people. Property sold and returned to local tax rolls will create over 55,000 jobs and generate local revenues of approximately \$2 million.

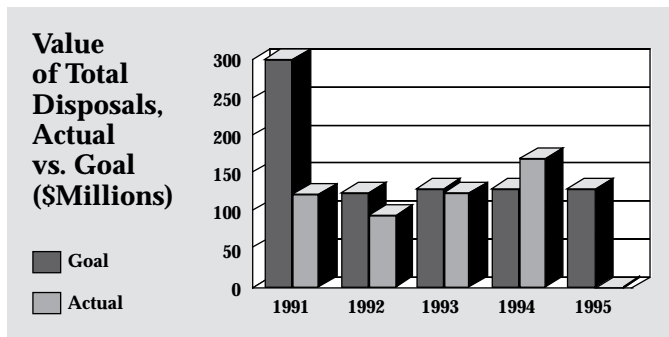
Number of Total Disposals, Actual vs. Goal

■ Goal
■ Actual



FPRS continues to work closely with the Department of Defense in the accomplishment of the military base clo-

Federal Property Resources Service



sure program. Pursuant to the Base Closure and Realignment Acts of 1988 and 1990 and GSA's Delegation of Authority to the Secretary of Defense, FPRS oversees the military base closure initiative to ensure adherence to the provisions of the Property Act and, upon request, provides administrative, technical, and disposal assistance on a cost reimbursable basis. In fiscal year 1994, FPRS provided the military departments reimbursable services totaling approximately \$1 million. Such services included Federal, State, and local screenings for potential use; disposal and marketing plans; advertising; appraisals; sales and donations; and training and counseling services. FPRS disposed of 42 military properties valued at a total of \$104.5 million, including transferring two properties for use by the homeless and eight properties for airport purposes.

In response to a declining inventory of properties for disposal as a result of legislation empowering specific agencies to execute their own disposals, FPRS has increased its efforts under the reimbursable sales program. As a competitive service provider, fiscal year 1994 reimbursements from other agencies for disposal services exceeded \$1.8 million.

Current Issues

During fiscal year 1994, FPRS continued its efforts to carry out the principles of the National Performance Review (NPR) while continuing to promote the maximum utilization and disposal of Government real and related personal property. GSA is in the process of reengineering its real property activities by focusing on the customer and adopting sound asset management principles. A team of FPRS/PBS Central Office and

Regional personnel, along with union representatives, spent several months researching the private sector and designing an organization reflecting the best of the practices they observed. The next phase of the reengineering effort will complete the work necessary to implement the new business lines. GSA is moving from a huge, monolithic organization to an interconnected grouping of self-contained, responsive, entrepreneurial units.

FPRS, in partnership with the Department of the Treasury, is conducting a pilot Real Property Standards Evaluation Initiative, a reinvention laboratory designed to test Governmentwide real property standards. A total of nine agencies have joined the project and have combined resources for major sales events. The team is measuring results of currently identified best practices against historical data of individual agency results.

A combined housing fair in May 1994, under the Government Owned Real Estate team umbrella, brought over 3,300 attendees together with representatives from seven agencies involved in the disposition of real estate. The interested public was able to talk with the agencies and learn how to purchase real estate from them and participate in other related public programs. Seminars were held to acquaint prospective purchasers with the inventories and the process of upcoming auctions. Subsequent sales in Atlanta were highly cost effective and successful in terms of return of investment. A similar Real Estate Fair and auction is proposed to be held in Miami in early 1995. Progress to date reveals that the public is extremely responsive to a joint presentation of available Government real estate. Initial reluctance by agencies to merge into a generic Government group has been overcome by advantages of shared resources and successes.

Customer Service

A Governmentwide survey to determine the level of customer satisfaction with FPRS services was conducted with the assistance of a privately contracted research firm. A pretest was conducted with three Federal agencies. The May 6 final report indicated an overall customer satisfaction level of 82 percent. The information obtained will help FPRS improve customer satisfaction and strengthen the partnership in real property asset management. Comments received will assist in identifying reinvention opportunities.

FINANCIAL MANAGEMENT PERFORMANCE MEASURES

1994

Cash Management

Payment Performance

In 1994, GSA made 1.7 million payments. For the year 95.1 percent of invoices were paid on time; 1.1 percent were paid early; 3.8 percent were paid late. Although 3.8 percent were paid late, less than 0.7 percent of the invoices processed in 1994 actually resulted in payment of an interest penalty. The remaining 3.1 percent of late payments generated interest penalties of less than one dollar, which by law need not be paid. GSA disbursed \$7.2 billion in payments subject to the Prompt Payment Act and paid only \$271,217 in interest penalties. This equates to \$37.57 per \$1 million in disbursements, which was better than the goal of \$50 per \$1 million in disbursements.

Invoice Payment Performance

	1991	1992	1993	1994
Invoices paid on time (percent)	88.4	94.6	94.5	95.1
Interest Penalties per \$ million disbursements	\$39.76	\$48.05	\$49.43	\$37.57

GSA's strong performance in timely payment of invoices enabled the agency to earn 97.3 percent of discounts offered by vendors, surpassing the agency goal of 90 percent. Although some vendors offer discounts for early payment of bills, GSA does not take these discounts where it is not deemed cost effective or where there is insufficient processing time.

Electronic Payments

During 1994, the percent of total payments paid by Vendor Express increased to 14 percent from 10 percent.

The expansion of the Direct Deposit Program for employee payroll continues to be steady. During 1994 GSA participation increased to 88 percent from 83 percent in 1993.

Debt Management

Federal Receivables

During 1994, GSA billed Federal Government clients \$9.6 billion for services and supplies. Of this amount, \$6.7 billion, or 70 percent, was collected using the Treasury's On-Line Payment and Collection system (OPAC). The balance of \$2.9 billion required mailing invoices, receiving and depositing checks, and following up with delinquent clients.

The average monthly delinquent receivables were \$250 million, or 56 percent, of the amount outstanding. The Department of Defense Washington Headquarters and the Departments of the Army, Air Force and Navy, with a combined average monthly receivable balance of \$120.7 million, continued to be GSA's largest delinquent clients.

Debt Management Performance

	1991	1992	1993	1994
GSA billings (\$billions)	\$7.9	\$8.8	\$8.7	\$9.6
Percent paid using OPAC	69	66	75	70
Percent average monthly delinquent receivables of those agencies not using OPAC	53	67	62	56

Non-Federal Receivables

Average monthly receivables from non-Federal sources in fiscal year 1994 were \$49.3 million; an average of \$24.1 million, or 48.9 percent, was delinquent. The largest portion of outstanding receivables was approximately \$22.9 million for real property mortgages. The balance of the outstanding receivables was primarily claims. During fiscal year 1994, delinquent receivables of \$52,781 were referred to the Department of Justice for collection. An additional \$1.9 million was referred to debt collection agencies.

SUPPLEMENTAL PERFORMANCE MEASURES

1994

PBS Measures

During 1994, the percentage of space requests completed within the time frame agreed upon between PBS and the client was 94 percent, compared to 92 percent in 1993.

Thirty-two design contracts were planned for award on major item alteration projects. Thirty, or 94 percent, were actually awarded. Two were not awarded because of changes in program requirements and complexity of proposals.

Out of 49 construction contracts planned for award in fiscal year 1994, 41 were actually awarded. Eight were not awarded due to the complexity of the proposals and changes in program requirements.

Operations Costs Benchmarking

The Public Buildings Service provides BOMA International with data for its annual Experience Exchange Report (EER) survey. The survey is a study of private sector and government office income and operating expenses.¹ The data collected by BOMA provide a means for benchmarking building performance. BOMA has conducted and published the results of the EER survey for over seventy years.

A PBS computer program provides a sample of nationwide GSA building operating statistics to the EER meeting the following criteria:

- Government owned offices in active status only operated by GSA;
- Building contains a minimum of 10,000 square feet of occupiable office space;
- No more than 30 percent of the building is occupied by warehouse, computer, laboratory, courts and/or postal workroom functions;
- Individual buildings only (excludes building in facilities or in a complex).

PBS additionally requires that the building data contained in the GSA sample represent only buildings that are 95 percent occupied.

The following tables are summaries showing the U.S. Private Sector, the U.S. Government Sector and the GSA data samples costs per square foot for 1992 and 1993.

(The EER containing 1994 data will be published by the BOMA in July 1995.)

	1992 U.S. Private Sector	1992 U.S. Government Sector	1992 GSA Data Sample
# Buildings	3102	291	150
Average Office Occupancy Rate (Percent)	87.2	98.1	>95
Square Feet	554,484,766	56,261,317	29,075,003
Operating Costs per square foot	\$5.61	\$5.01	\$5.45

	1993 U.S. Private Sector	1993 U.S. Government Sector	1993 GSA Data Sample
# Buildings	3316	248	124
Average Office Occupancy Rate (Percent)	86.2	98.3	>95
Square Feet	632,586,404	51,333,287	26,111,049
Operating Costs per square foot	\$5.58	\$5.24	\$5.74

Percent Change Operating Costs 1992 VS 1993

Private Sector	-0.005
U.S. Government Sector	+4.5
GSA Data Sample	+5.3

The 1994 BOMA, EER states that "the government sector spends significantly more on cleaning than the private sector; the private sector spends more on administrative expenses."² The private sector maintained utility costs; the Government Sector showed a decrease of 3 percent in this category. However, the private sector's occupancy rates fall below those of the U.S. Government and GSA's sample by approximately 10 percent to 15 percent.

Therefore, projecting costs based upon the difference in the occupancy rates could give a better comparison of the two entities though the data sample provided by the Private Sector. Deflating the Private Sector costs to reflect average occupancy would show the Government Sector and GSA's sample, performing better than the private sector 1992 vs. 1993.

Another point for consideration is that the Private Sector data submitted to BOMA is colossal, both in number of buildings and square footage, compared to the Government and GSA's contribution to the sample. Variations in building size, age, height, as well as occupancy, can and do affect expenses. The important issue to remember, according to the 1994 EER report: "The results reported here, while indicative of trends to the entire industry, must be interpreted carefully because the properties analyzed are not necessarily representative of the industry as a whole." (Ellen Ku and Caroline Seined - BOMA International).

FSS Measures

Supply Operations

Supply Distribution Facilities transportation cost per \$100 sales decreased in 1994 to \$5.39, compared to \$6.29 in 1993.

The average annual inventory turnover for Customer Supply Centers was 5.1. This rate represents a significant improvement since the mid-1980's, when the Centers realized only 3 to 4 inventory turnovers a year.

FSS established a nationwide stockturn (the number of times the average on-hand inventory is sold during a 12-month period) goal of 3.2 for fiscal year 1994. Overall, FSS experienced a stockturn of 3.0 by year-end.

FSS procured and issued customer agencies' special order requisitions for goods and services within 33.9 days, which was well below the special order requisitions work-in-process time limit of 45 days.

Fleet Management Program

The percentage of vehicles in active use during fiscal year 1994 was 94.9 percent versus a goal of 90 percent.

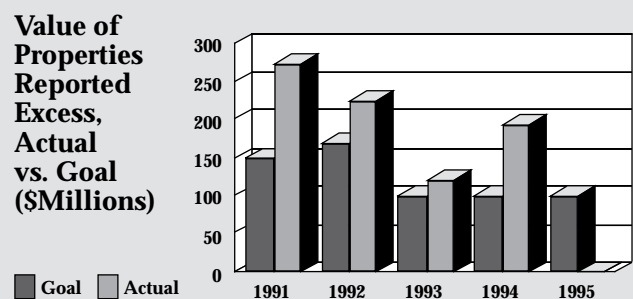
Aircraft Management

GSA is responsible for improving the management and cost effectiveness of Federal civilian agency aircraft operations. GSA, working through an interagency committee, has developed standards, regulations, policies, procedures, and guidelines for the procurement, operation, maintenance, safety, and disposal of civilian agency aircraft. GSA also operates a Governmentwide aircraft management information system.

Fiscal year 1994 statistics will not be available until April 1995. In 1993 Federal civilian agencies spent \$993 million operating 1,485 aircraft for a total of 398,580 hours compared to 1992 when 1,479 aircraft were flown for 392,423 hours, incurring a total operating expense of \$887 million.

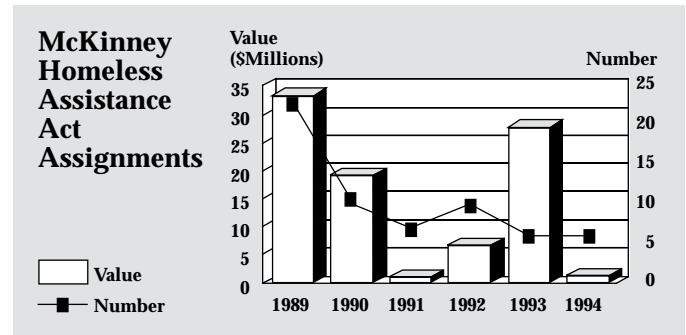
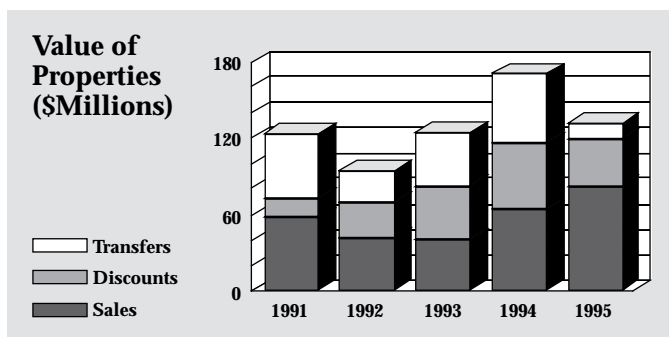
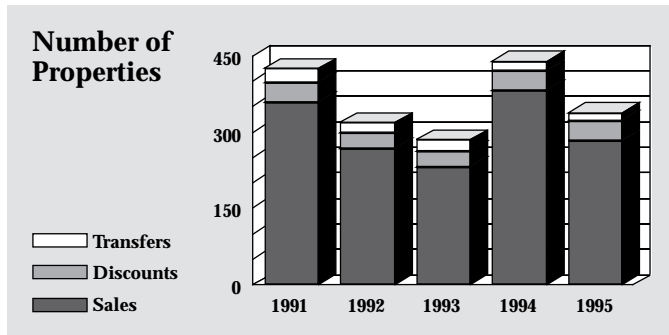
FPRS Measures

The chart, below, shows the dollar value of properties being reported as excess to FPRS by other Federal agencies.



The next two charts depict the number and value of property sales; disposals at discounted prices of up to 100 percent; and Federal transfers. Discounts include conveyances for parks; schools; health, including drug treatment facilities; wildlife; historic monuments; airports; roadway purposes; and properties assigned for use by the homeless. Federal transfers are properties in which custody and accountability is transferred from one Federal agency to another Federal agency for continued use. In fiscal year 1994, sales of real properties returned 100 percent of their appraised fair market value.

Supplemental Performance Measures



The final FPRS chart shows the number and value of property assignments for use by the homeless since the enactment of the McKinney Act in 1987. Homeless providers applied for 57 of GSA's properties, all of which, with the exception of one retained for further Federal use, were approved.

Footnotes:

- ¹ GSA's data sample includes costs for direct building expenses for maintenance, cleaning, utilities and administrative. Costs do not include direct pension and legal expenses.
- ² The BOMA survey asks for direct payroll costs, management fees, professional fees, general office payroll, taxes, fringe benefits for building managers and secretaries, legal and consulting fees and advertising expenses. The private sector expense categories may include all of the above categories. As stated previously, the GSA sample does not include pension or legal expenses.



General Services Administration
Office of Inspector General
Washington, DC 20405



February 1, 1995

MEMORANDUM FOR ROGER W. JOHNSON, ADMINISTRATOR (A)
DENNIS J. FISCHER, CHIEF FINANCIAL OFFICER (B)

FROM: WILLIAM R. BARTON, INSPECTOR GENERAL (J)

SUBJECT: **Audit of the General Services Administration's Fiscal Year 1994 Financial Statements**

This letter transmits Arthur Andersen LLP's (AA LLP) report on its Fiscal Year 1994 and 1993 financial statement audit of the General Services Administration (GSA), the results of the Office of Inspector General's (OIG) review thereon, and the OIG's report on selected performance measures.

Audit of Financial Statements and Management's Assertion Regarding Its Internal Control Structure

The Chief Financial Officers (CFO) Act of 1990 (P.L. 101-576) requires GSA's Office of Inspector General or an independent external auditor, as determined by the Inspector General, to audit the Agency's financial statements in accordance with Government Auditing Standards issued by the Comptroller General of the United States. Under contracts monitored by the OIG, AA LLP, an independent public accounting firm, performed the audit of GSA's Fiscal Years 1994 and 1993 financial statements.

AA LLP issued unqualified opinions on GSA's Fiscal Year 1994 consolidated and individual funds' (Federal Buildings Fund, General Supply Fund, and Information Technology Fund) financial statements. Additionally, AA LLP issued unqualified opinions on GSA's assertion regarding the internal control structure over financial reporting as of September 30, 1994. GSA's assertion reported three material control weaknesses in the Federal Buildings Fund internal control structure.

OIG Evaluation of AA LLP's Audit Performance

To fulfill our audit responsibilities under the CFO Act for ensuring the quality of the audit work performed, we conducted a review of AA LLP's audit of GSA's Fiscal Year 1994 financial statements in accordance with Government Auditing Standards. Specifically, we:

- reviewed AA LLP's approach and planning of the audit;
- evaluated the qualifications and independence of its auditors;
- monitored the progress of the audit at key points;
- examined its working papers and reports to evaluate compliance with Government Auditing Standards; and,
- performed other procedures we deemed necessary.

Based on the results of our review, we determined AA LLP planned, executed, and reported the results of its audit of GSA's Fiscal Year 1994 financial statements in accordance with applicable audit standards. Therefore, in our opinion, AA LLP's work provides a reliable basis on which to render opinions on GSA's Fiscal Years 1994 and 1993 financial statements and GSA's assertion regarding its internal control structure over financial reporting. Accordingly, we concur with its report thereon.

Audit of Selected Performance Measures

We did not contract with AA LLP to perform audit work to determine the adequacy of information presented in the financial statements with respect to reported performance measures. However, in our continuing effort to implement the CFO Act as prescribed by OMB, we completed a limited review of two selected performance measures: Federal Supply Service Cost per \$100 Sales - Stock and Public Buildings Service Cost per Occupiable Square Foot Comparison. Our preliminary assessments of the control risk over these selected performance measures are low and moderate, respectively.

We appreciate the courtesies and cooperation extended to Arthur Andersen LLP and to the Office of Inspector General audit staff during the conduct of the audit and review. If you or your staff have any questions, please contact me or William E. Whyte, Jr., Assistant Inspector General for Auditing.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO THE INSPECTOR GENERAL OF THE UNITED STATES GENERAL SERVICES ADMINISTRATION:

This report presents our unqualified opinions on

- the fiscal year 1994 and 1993 financial statements and supplemental schedules of the United States General Services Administration (GSA) Consolidated, the Federal Buildings Fund, the General Supply Fund and the Information Technology Fund; and
- management's assertion that the General Supply Fund and the Information Technology Fund maintained effective internal control structures over financial reporting at September 30, 1994.

This report also presents our opinions on

- management's assertion that, except for the effect of the material weaknesses described in its letter to us (and described in the following section entitled "Material Weaknesses"), GSA Consolidated and the Federal Buildings Fund maintained effective internal control structures over financial reporting at September 30, 1994.

This report also presents our findings about compliance with certain laws and regulations and management's assertion regarding the internal control structures over financial reporting of GSA Consolidated and the individual Funds referred to above. Lastly, this report describes management's responsibilities for financial reporting and the internal control structures over financial reporting and our responsibility for examining the financial statements and internal control structures over financial reporting.

OPINIONS ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the United States General Services Administration Consolidated as of and for the years ended September 30, 1994 and 1993. Also, we have audited the individual financial statements of the Federal Buildings Fund (FBF), General Supply Fund (GSF) and Information Technology

Fund (ITF) as of and for the years ended September 30, 1994 and 1993. In our opinion, the financial statements referred to above present fairly, in all material respects, the

- financial position of GSA Consolidated and the FBF, GSF and ITF at September 30, 1994 and 1993; and
- the results of operations and cash flows of GSA Consolidated and the FBF, GSF and ITF for the years ended September 30, 1994 and 1993.

We did not audit and, accordingly, are unable to express and do not express, an opinion on the financial statements of funds included within Other Funds as of and for the years ended September 30, 1994 and 1993.

SUPPLEMENTAL SCHEDULES

Our audits were made for the purpose of forming opinions on the consolidated and individual fund financial statements referred to above, each taken as a whole. The Supplemental Schedules of Budget and Actual Expenses and Other Budgetary Results as of and for the year ended September 30, 1994, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audits of the 1994 consolidated and individual fund financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the 1994 consolidated and individual fund financial statements, each taken as a whole.

OVERVIEW OF FINANCIAL PERFORMANCE

Our audits were performed for the purpose of expressing opinions on the 1994 and 1993 consolidated and individual fund financial statements referred to above. The information contained in the Overview of Financial Performance is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in our audits of the 1994 and 1993 consolidated and individual fund financial statements and, accordingly, we express no opinion on it.

OPINIONS ON MANAGEMENT'S ASSERTION REGARDING THE INTERNAL CONTROL STRUCTURES OVER FINANCIAL REPORTING

In our opinion, management's assertion (included in its representation letter to us dated January 17, 1995) is fairly stated, in all material respects, based on the objectives stated below in relation to GSA's consolidated financial statements and each Fund's financial statements. Management's assertion, based on its evaluation required under the Federal Managers' Financial Integrity Act and the results of our audits, is that, as of September 30, 1994,

- the General Supply Fund and the Information Technology Fund maintained effective internal control structures over financial reporting; and
- except for the effect of the material weaknesses described in its letter to us (and described in the following section entitled "Material Weaknesses"), GSA Consolidated and the Federal Buildings Fund maintained effective internal control structures over financial reporting.

The objectives of an internal control structure over financial reporting are to provide management with reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with budgetary authority and with the laws and regulations to which GSA and each Fund are subject.
- Transactions are recorded properly to permit the preparation of the GSA's and each Fund's financial statements in accordance with generally accepted accounting principles and to maintain accountability over assets.

Because of inherent limitations in any internal control structure over financial reporting, errors or irregularities may occur and not be detected. Also, projection of any evaluation of an internal control structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the

degree of compliance with the procedures may deteriorate.

Under standards established by the American Institute of Certified Public Accountants, reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure over financial reporting that, in our judgment, could adversely affect GSA's or each Fund's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of the internal control structure over financial reporting does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

As discussed in management's assertion, the following material weaknesses exist in the design or operation of the internal control structure over GSA Consolidated and the Federal Buildings Fund in effect at September 30, 1994. We also noted the following additional reportable conditions; none of which we believe to be a material weakness. The material weaknesses and reportable conditions are more fully described in a separate letter to management of GSA dated January 17, 1995.

MATERIAL WEAKNESSES

1. Procedures for establishing and evaluating the accuracy and completeness of year-end accruals for the Public Buildings Service (PBS) are inadequate. Our review of transactions recorded in fiscal year 1995 identified adjustments to increase expenses, assets and accounts payable by \$31 million, \$169 million, and \$200 million, respectively, in the September 30, 1994 financial statements.

This condition was caused primarily by a lack of procedures to accrue for goods and services in the period in which they were received. This weakness adversely affects GSA's ability to ensure PBS transactions are recorded in the proper period.

2. PBS performs certain building services on a reimbursable basis using the completed contract method of accounting. Procedures to ensure the accuracy and completeness of recognition of income and expense continue to require improvement. In fiscal year 1994, this resulted in adjustments to the financial statements increasing income and expenses by \$343 million and \$332 million, respectively.

This condition was caused by a lack of procedures to determine the status of completion of reimbursable projects for purposes of properly recognizing income and expenses on completed projects. This weakness adversely affects GSA's ability to ensure income and expenses are recognized in the proper period.

3. GSA receives appropriations for grant programs, primarily to construct facilities for colleges and universities. Amounts granted to entities have been recorded as assets, instead of as expenses as required under accounting standards. Adjustments of \$82 million to reduce buildings, land, construction in process and invested capital were recorded for this matter in fiscal year 1994.

This condition was caused by management misapplying accounting standards related to PBS grant activities. This weakness adversely affects GSA's ability to fairly present the financial statements in accordance with generally accepted accounting principles.

OTHER REPORTABLE CONDITIONS

Agencywide

1. GSA policies and procedures over effective definition, communication and monitoring of responsibilities and authority require improvement in the payroll time and attendance function for all of GSA. Supervisory controls to prevent or detect and correct payroll errors require improvement. In fiscal years 1992 through 1994, our tests of the payroll time and attendance function revealed several instances of clerical errors in recorded leave balances. In 1994, we also noted that discrepancies between the payroll and personnel information systems were not being corrected on a timely basis.

Federal Buildings Fund

2. Financial management practices in the Public Buildings Service (PBS) Office of the Controller require significant improvement. This is evidenced by (1) the material weaknesses described above, (2) continuing internal control problems (four of the six reportable conditions noted last year were not corrected in fiscal year 1994), (3) a lack of management-level review and analysis of balances reported in the financial statements and (4) a lack of sufficient oversight of regional financial management activities. This weakness adversely affects PBS's internal control structure.

It is increasingly critical that strong internal controls be maintained to address existing weaknesses and to provide accurate financial management information, particularly with the ongoing programmatic changes and reinvention initiatives underway.

3. Procedures for establishing adequate reserves for past due accounts receivable continue to be insufficient to ensure that adequate reserves are recorded for PBS activities. Reserves have not been recorded for non-disputed, overdue Federal accounts receivable. Relevant factors (e.g., aging, status of customer negotiations, etc.) were not considered in determining the reserve for disputed Federal balances. An adjustment to record additional reserves of \$29.3 million was recorded for this matter in fiscal year 1994.
4. Procedures to ensure the accuracy of property account classifications are inadequate. Reclassifications among property accounts of \$315 million were recorded in fiscal year 1994. These misclassifications were a result of misapplication of accounting standards and a lack of compliance with procedures to ensure timely recognition of completed construction projects.
5. Supervisory controls to substantiate and evaluate the rent master file require revision to ensure accuracy of the rental rates that PBS charges its customers. In fiscal year 1994, data input and programming errors occurred that resulted in inaccurate rent rates and billings; however, these errors were not significant to the financial statements. These could have been prevented or detected by properly designed supervisory controls.

6. PBS procedures to identify and record unaccrued rental income continue to be insufficient to ensure billings were made promptly and recorded in the proper period. In addition, certain regions no longer follow established procedures to identify building space which is assigned to tenants, but is not currently being billed. Unaccrued rent revenue of \$1.5 million was identified relating to these matters in fiscal year 1994.
7. PBS procedures require the reconciliation of the subsidiary records for space rental obligations and expenditures to the general ledger control accounts. In fiscal year 1994, certain regions were not performing the reconciliation as of September 30, 1994. In addition, for all regions, procedures continue to be inadequate to ensure that adjustments are recorded in the proper period. Adjustments totaling \$2.6 million were identified in fiscal year 1994, but the net amount was not significant to the financial statements.

General Supply Fund

8. The General Supply Fund maintains subsidiary records for its supplies inventory. These records were not reconciled to the general ledger, resulting in a difference of \$7 million at September 30, 1994.

These matters were considered by us during our audits and our examinations of GSA's and each Fund's internal control structure and do not modify the opinions expressed above. We also noted other matters involving the design or operation of the internal control structures that we have reported to management of GSA in a separate letter dated January 17, 1995.

FINDINGS ABOUT COMPLIANCE WITH CERTAIN LAWS AND REGULATIONS

The results of our tests of GSA's and each of the aforementioned Fund's compliance with the provisions of laws and regulations with which they are required to comply (as stated below) indicate that, with respect to the items tested, GSA and each Fund complied in all material respects.

However, the objective of our audits of the consolidated financial statements of GSA and of the individual finan-

cial statements of each Fund was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes and regulations that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements or that their sensitivity warrants disclosure thereof.

As part of obtaining reasonable assurance about whether the consolidated financial statements of GSA and the individual financial statements of each Fund are free of material misstatement, we performed tests of compliance with the following provisions of laws and regulations.

- Anti-Deficiency Act
- Budget and Accounting Procedures Act of 1950
- Chief Financial Officers Act of 1990
- Civil Service Reform Act of 1978
- Civil Service Retirement Act of 1930
- Debt Collection Act of 1982
- Fair Annual Rent Provisions of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 490)
- Fair Labor Standards Act of 1938
- Federal Debt Collection Procedures Act of 1990
- Federal Employees' Compensation Act
- Federal Employees' Group Life Insurance Act of 1980
- Federal Employees' Health Benefits Act of 1959
- Federal Managers' Financial Integrity Act of 1982
- GSA's 1994 Appropriation Acts (Public Laws 103-123, 103-124 and 103-211)
- GSA Authorization Legislation (40 U.S.C. 751 through 762)
- National Defense Authorization Act for Fiscal Year 1991 ("M account" legislation)
- Prompt Payment Act

MANAGEMENT'S RESPONSIBILITIES

Management is responsible for:

- Preparing the financial statements and supplemental schedules referred to above in conformity with generally accepted accounting principles and for preparing the Overview of Financial Performance.
- Establishing and maintaining internal control structures over financial reporting. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures.
- Complying with laws and regulations applicable to GSA and each Fund.

AUDITORS' RESPONSIBILITIES

We conducted our audits in accordance with generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards (1994 Revision)*, issued by the Comptroller General of the United States. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

We have examined management's assertion (included in its representation letter to us dated January 17, 1995) that, as of September 30, 1994,

- the General Supply Fund and the Information Technology Fund maintained effective internal control structures over financial reporting; and
- except for the effect of the material weaknesses described in its letter (and described above in the section entitled "Material Weaknesses"), GSA Consolidated and the Federal Buildings Fund maintained effective internal control structures over financial reporting.

Our examinations were made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of the internal control structure over financial reporting, testing, and evaluating the design and operating effectiveness of the internal control structure, and such other procedures as we considered necessary in the circumstances. We believe that our examinations provide a reasonable basis for our opinions.

We have read the information presented in the Overview of Financial Performance and considered whether such information, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation appearing in the financial statements. If based on such reading, we believe that there is a material inconsistency, we would be required to determine whether the financial statements, our report or the other information should be revised.

This report is intended for the information of the Inspector General and management of GSA. However, this report is a matter of public record, and its distribution is not limited.

Arthur Andersen LLP

Washington, D.C.,
January 17, 1995



General Services Administration
Office of Inspector General
Washington, DC 20405



February 1, 1995

MEMORANDUM FOR ROGER W. JOHNSON, ADMINISTRATOR (A)
DENNIS J. FISCHER, CHIEF FINANCIAL OFFICER (B)

FROM: WILLIAM R. BARTON, INSPECTOR GENERAL (J) *William R. Barton*

SUBJECT: **Report on Selected Performance Measures**

The Chief Financial Officers (CFO) Act of 1990 (P.L. 101-576) requires GSA's Office of Inspector General or an independent external auditor, as determined by the Inspector General, to audit the Agency's financial statements in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Under contracts monitored by the Office of Inspector General (OIG), Arthur Andersen LLP (AA LLP), an independent public accounting firm, performed the audit of GSA's Fiscal Year 1994 and 1993 financial statements.

Requirements, Scope and Methodology

In addition to the audit work required by *Government Auditing Standards*, the Office of Management and Budget (OMB) Bulletin 93-06, "Audit Requirements for Federal Financial Statements," paragraph 6a(3), requires the auditor to obtain an understanding of the internal control structure and assess the control risk that the Agency's plan of organization and policies and procedures provide reasonable assurance that the data supporting the reported performance measures are properly recorded and accounted for to permit preparation of reliable and complete performance information.

We did not contract with AA LLP to perform this additional audit work. However, in our effort to implement the CFO Act as prescribed by OMB, we completed the review of two selected performance measures: 1) Public Buildings Service's (PBS) Cost per Occupiable Square Foot Comparison and 2) Federal Supply Service's (FSS) Cost per \$100 Sales - Stock.

Audit standards define control risk as the risk that a material misstatement could occur in any of the five financial statement assertions (existence or occurrence, completeness, rights and obligations, valuation or allocation, or presentation and disclosure) and would not be prevented or detected on a timely basis by the entity's internal control structure policies and procedures. For this audit, in accordance with OMB Bulletin 93-06, we limited our work to assessing the control risk over the two financial statement assertions of existence and completeness described in AU Section 319.27 of the AICPA's *Codification of Statements on Auditing Standards*. Also, relative to these assertions, our review did not include testing whether the internal controls over the data, the systems, or the reporting of the data from the systems in support of the performance measures were properly designed and operating effectively. As a result, we provide no opinion regarding the accuracy of the performance measures that were selected or not selected. Because we did not perform tests of the effectiveness of the control procedures for this internal control structure, our assessment of control risk should be considered a preliminary assessment.

Results of Audit

The management of GSA is responsible for establishing and maintaining an internal control structure, including its plan of organization and policies and procedures, to provide reasonable assurance that the data supporting reported performance measures are properly recorded and accounted for to permit preparation of reliable and complete performance information. In accordance with OMB Bulletin 93-06, we reviewed the Agency's internal control structure and assessed the control risk over the systems used to report the two performance measures.

Our preliminary assessment of the control risk over management's systems and processes for providing the data supporting the "PBS Cost per Occupiable Square Foot Comparison" and "FSS Cost per \$100 Sales - Stock" performance measures are moderate and low, respectively. We will issue separate letter reports to the cognizant Heads of Services and Staff Offices (HSSO) and the Chief Financial Officer discussing in detail the results of our preliminary assessment. The reports will also provide suggestions for improving the design and implementation of the significant internal controls for ensuring that the data in support of these reported performance measures exists and is complete.

CONSOLIDATING STATEMENTS OF OPERATIONS

For the Fiscal Years Ended September 30, 1994 and 1993

(Dollars in Thousands)

	Federal Buildings Fund		General Supply Fund		Information Technology Fund	
	1994	1993	1994	1993	1994	1993
Operating Revenues (Notes 1-A, 1-B):						
Building Rents and Services	\$ 5,362,836	\$ 4,781,841	\$ -	\$ -	\$ -	\$ -
Sales of Supplies	-	-	1,784,083	1,747,461	-	-
Telecommunications Services	-	-	-	-	928,894	843,943
Data Processing Services	-	-	-	-	357,398	299,129
Motor Vehicle Services	-	-	694,203	714,034	-	-
Reimbursements (Note 1-C)	-	-	1,789	2,189	-	-
Proprietary Receipts (Note 1-G)	-	-	-	-	-	-
Other (Note 10)	3,362	6,481	22,036	18,066	89	635
Total Operating Revenues	5,366,198	4,788,322	2,502,111	2,481,750	1,286,381	1,143,707
Appropriations Expended (Notes 1-B)	7,508	-	-	-	-	-
Total Revenues	5,373,706	4,788,322	2,502,111	2,481,750	1,286,381	1,143,707
Expenses (Notes 1-A, 1-B):						
Cost of Supply Sales	-	-	1,473,017	1,450,953	-	-
Personnel Salaries and Benefits	442,009	415,781	165,776	158,445	103,412	101,751
Rent	2,109,218	1,888,428	44,062	43,848	12,063	10,943
Telecommunications	-	-	-	-	763,118	685,161
Data Processing	-	-	-	-	317,655	270,760
Motor Vehicles	-	-	255,737	269,224	-	-
Contracted Services	1,186,015	867,516	80,361	74,623	-	-
Depreciation and Amortization	471,616	449,696	172,392	161,844	22,636	21,090
Utilities	310,325	306,891	-	-	-	-
Operating Supplies	56,203	54,032	101,962	107,623	1,618	2,079
Interest	82,709	80,531	1,885	7,697	1,208	5,010
Real Estate Taxes	23,444	20,015	-	-	-	-
Travel and Transportation	15,961	12,904	3,710	3,252	4,963	5,517
Shipping Expenses	-	-	55,746	65,646	-	-
Workers' Compensation Actuarial Expense (Note 1-L)	(2,190)	108,212	(6,626)	31,776	(137)	8,063
Other Expenses	50,730	5,574	15,261	14,870	988	1,837
Total Expenses	4,746,040	4,209,580	2,363,283	2,389,801	1,227,524	1,112,211
Revenues in Excess of (Less Than) Expenses	\$ 627,666	\$ 578,742	\$ 138,828	\$ 91,949	\$ 58,857	\$ 31,496

1994

Other Funds		Intra-GSA Eliminations		GSA Consolidated Funds			
				1994		1993	
(Unaudited) 1994	(Unaudited) 1993	1994	1993	Amount	Percent of Revenues	Amount	Percent of Revenues
\$ -	\$ -	\$ 88,279	\$ 86,780	\$ 5,274,557	57.1	\$ 4,695,061	55.1
-	-	22,171	15,531	1,761,912	19.1	1,731,930	20.4
-	-	26,960	23,902	901,934	9.7	820,041	9.6
-	-	23,369	16,184	334,029	3.6	282,945	3.3
-	-	6,135	6,417	688,068	7.4	707,617	8.3
200,874	189,547	191,330	180,294	11,333	0.1	11,442	0.1
17,099	14,847	-	-	17,099	0.2	14,847	0.2
43,590	47,192	17,255	17,259	51,822	0.6	55,115	0.7
261,563	251,586	375,499	346,367	9,040,754	97.8	8,318,998	97.7
194,605	200,039	-	-	202,113	2.2	200,039	2.3
456,168	451,625	375,499	346,367	9,242,867	100.0	8,519,037	100.0
-	-	22,171	15,531	1,450,846	15.7	1,435,422	16.8
241,938	246,083	-	-	953,135	10.3	922,060	10.8
32,154	31,990	88,279	86,780	2,109,218	22.8	1,888,429	22.2
-	-	26,960	23,902	736,158	8.0	661,259	7.8
-	-	23,369	16,184	294,286	3.2	254,576	3.0
-	-	6,135	6,417	249,602	2.7	262,807	3.1
134,211	130,002	191,425	180,393	1,209,162	13.1	891,748	10.5
1,486	1,049	-	-	668,130	7.2	633,679	7.4
-	-	-	-	310,325	3.3	306,891	3.6
12,564	12,403	-	-	172,347	1.9	176,137	2.1
247	140	-	-	86,049	0.9	93,378	1.1
-	-	-	-	23,444	0.3	20,015	0.2
5,562	6,356	-	-	30,196	0.3	28,029	0.3
-	-	-	-	55,746	0.6	65,646	0.8
(1,412)	16,843	-	-	(10,365)	(0.1)	164,894	1.9
(11,250)	28,716	17,160	17,160	38,569	0.4	33,837	0.4
415,500	473,582	375,499	346,367	8,376,848	90.6	7,838,807	92.0
\$ 40,668	\$ (21,957)	\$ -	\$ -	\$ 866,019	9.4	\$ 680,230	8.0

The accompanying notes are an integral part of these statements.

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

As of September 30, 1994 and 1993 (Dollars in Thousands)

	Federal Buildings Fund		General Supply Fund	
	1994	1993	1994	1993
ASSETS				
Current Assets:				
Funds with U.S. Treasury (Note 1-D)	\$ 4,906,519	\$ 4,549,534	\$ 379,321	\$ 337,615
Accounts Receivable (Note 7) -				
From Other Federal Agencies	262,436	390,719	223,095	196,062
From the Public	2,136	1,815	14,419	20,724
Notes Receivable (Note 7)	27	-	773	555
Inventories (Note 1-E) -				
Operating Supplies	4,347	4,984	358	440
For Sale to Federal Agencies	-	-	223,482	262,730
Advances -				
To Other Federal Agencies	447	466	-	-
To the Public	221	285	49	117
Prepaid Expenses	200	657	9,588	8,548
Total Current Assets	5,176,333	4,948,460	851,085	826,791
Property and Equipment (Notes 1-F,2,8):				
Buildings	9,065,562	7,948,994	-	-
Leasehold Improvements	117,899	111,445	3,548	3,262
Telecommunications Equipment	-	-	-	-
Automated Data Processing Equipment	-	-	-	-
Motor Vehicles	-	-	1,725,001	1,557,349
Other Equipment	25,057	19,168	46,626	38,811
Less: Accumulated Depreciation and Amortization	(3,856,323)	(3,387,655)	(515,295)	(457,687)
Subtotal	5,352,195	4,691,952	1,259,880	1,141,735
Land	597,700	799,997	-	-
Construction in Process	2,513,693	1,906,671	-	-
Total Property and Equipment	8,463,588	7,398,620	1,259,880	1,141,735
Other Assets:				
Notes Receivable (Note 7)	-	-	192	128
Other Noncurrent Assets (Note 9)	11,165	3,169	-	-
Total Other Assets	11,165	3,169	192	128
Total Assets	\$13,651,086	\$12,350,249	\$ 2,111,157	\$ 1,968,654
LIABILITIES AND EQUITY OF U.S. GOVERNMENT				
Current Liabilities:				
Accounts Payable and Accrued Expenses -				
To Other Federal Agencies	\$ 66,272	\$ 42,082	\$ 29,877	\$ 20,373
To the Public	631,211	486,194	141,925	129,654
Current Portion of Long-Term Debt (Note 3)	226,248	70,016	-	-
Obligations Under Capital Leases, Current (Note 2)	379	348	-	34,954
Earnings Payable to U.S. Treasury	899	635	-	-
Deposit Fund Liability	-	-	-	-
Advances -				
From Other Federal Agencies	225	444	1,488	4,841
From the Public	132	131	942	766
Deferred Revenue (Note 1-B)	157,353	133,484	4,739	733
Total Current Liabilities	1,082,719	733,334	178,971	191,321
Long-Term Liabilities:				
Annual Leave Liability (Note 1-H)	31,986	27,934	11,830	11,288
Purchase Contract Debt (Note 3)	611,578	683,449	-	-
Lease Purchase Debt (Note 3)	1,077,544	845,623	-	-
Obligations Under Capital Leases (Note 2)	307,693	196,406	-	-
Workers' Compensation Actuarial Liability (Note 1-L)	106,022	108,212	25,150	31,776
Other Long-Term Liabilities (Note 6)	78,641	101,172	4,196	4,304
Total Long-Term Liabilities	2,213,464	1,962,796	41,176	47,368
Total Liabilities	3,296,183	2,696,130	220,147	238,689
Equity of U.S. Government:				
Invested Capital (Notes 5-A, 5-D)	5,915,975	5,865,770	903,522	881,305
Cumulative Results of Operations (Notes 5-C, 5-D)	4,415,751	3,788,349	987,488	848,660
Future Funding Requirements (Note 5-B)	-	-	-	-
Unexpended Appropriations -				
Unobligated Balances	23,177	-	-	-
Undelivered Orders	-	-	-	-
Total Equity of U.S. Government	10,354,903	9,654,119	1,891,010	1,729,965
Total Liabilities and Equity of U.S. Government	\$13,651,086	\$12,350,249	\$ 2,111,157	\$ 1,968,654

Consolidating Statements of Financial Position

Information Technology Fund		Other Funds		Intra-GSA Eliminations		GSA Consolidated Funds	
1994	1993	(Unaudited) 1994	(Unaudited) 1993	1994	1993	1994	1993
\$ 398,653	\$ 407,619	\$ 286,883	\$ 337,067	\$ -	\$ -	\$ 5,971,376	\$ 5,631,835
161,477	132,934	25,266	17,446	29,597	18,639	642,677	718,522
38	390	7,653	18,946	-	-	24,246	41,875
-	-	4,169	9,179	-	-	4,969	9,734
2,247	2,701	1,024	1,130	-	-	7,976	9,255
2,108	2,219	-	-	-	-	225,590	264,949
-	-	-	2	-	-	447	468
203	395	45	43	-	-	518	840
205	166	6,927	11,206	-	-	16,920	20,577
564,931	546,424	331,967	395,019	29,597	18,639	6,894,719	6,698,055
-	-	-	-	-	-	9,065,562	7,948,994
106	106	-	-	-	-	121,553	114,813
188,056	178,487	-	-	-	-	188,056	178,487
5,392	4,998	-	-	-	-	5,392	4,998
-	-	-	-	-	-	1,725,001	1,557,349
22,303	19,476	12,094	9,825	-	-	106,080	87,280
(116,808)	(94,999)	(6,657)	(5,766)	-	-	(4,495,083)	(3,946,107)
99,049	108,068	5,437	4,059	-	-	6,716,561	5,945,814
-	-	-	-	-	-	597,700	799,997
3,623	3,833	-	-	-	-	2,517,316	1,910,504
102,672	111,901	5,437	4,059	-	-	9,831,577	8,656,315
-	-	13,198	7,717	-	-	13,390	7,845
391	389	1,910	2,913	-	-	13,466	6,471
391	389	15,108	10,630	-	-	26,856	14,316
\$ 667,994	\$ 658,714	\$ 352,512	\$ 409,708	\$ 29,597	\$ 18,639	\$16,753,152	\$15,368,686
\$ 8,404	\$ 10,807	\$ 62,443	\$ 58,318	\$ 29,597	\$ 18,639	\$ 137,399	\$ 112,941
314,202	328,084	23,127	24,875	-	-	1,110,465	968,807
-	-	-	-	-	-	226,248	70,016
2,698	6,217	592	459	-	-	3,669	41,978
-	-	38,232	43,951	-	-	39,131	44,586
-	-	59,048	99,249	-	-	59,048	99,249
-	-	-	-	-	-	1,713	5,285
-	-	-	-	-	-	1,074	897
35,492	46,935	501	970	-	-	198,085	182,122
360,796	392,043	183,943	227,822	29,597	18,639	1,776,832	1,525,881
7,457	6,961	18,020	17,369	-	-	69,293	63,552
-	-	-	-	-	-	611,578	683,449
-	-	-	-	-	-	1,077,544	845,623
4,800	23,534	1,615	163	-	-	314,108	220,103
7,926	8,063	15,431	16,843	-	-	154,529	164,894
1,150	1,093	32,498	54,822	-	-	116,485	161,391
21,333	39,651	67,564	89,197	-	-	2,343,537	2,139,012
382,129	431,694	251,507	317,019	29,597	18,639	4,120,369	3,664,893
78,637	78,649	4,383	5,364	-	-	6,902,517	6,831,088
207,228	148,371	38,731	41,013	-	-	5,649,198	4,826,393
-	-	(40,809)	(67,301)	-	-	(40,809)	(67,301)
-	-	58,146	52,726	-	-	81,323	52,726
-	-	40,554	60,887	-	-	40,554	60,887
285,865	227,020	101,005	92,689	-	-	12,632,783	11,703,793
\$ 667,994	\$ 658,714	\$ 352,512	\$ 409,708	\$ 29,597	\$ 18,639	\$ 16,753,152	\$ 15,368,686

The accompanying notes are an integral part of these statements.

CONSOLIDATING STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended September 30, 1994 and 1993
(Dollars in Thousands)

	Federal Buildings Fund		General Supply Fund	
	1994	1993	1994	1993
Cash Flows from Operating Activities:				
Revenues in Excess of (Less Than) Expenses	\$ 627,666	\$ 578,742	\$ 138,828	\$ 91,949
Adjustments to Revenues in Excess of (Less Than) Expenses -				
Depreciation and Amortization	471,616	449,696	172,392	161,844
Adjustments and Write-offs of Equipment	7,857	441	28	1,337
Gain on Disposal of Equipment	-	-	(31,947)	(18,056)
Changes in Current Assets and Liabilities				
(Increase)/Decrease				
Accounts Receivable, Net	127,962	91,581	(20,728)	(21,012)
Inventories	637	(104)	36,059	15,450
Advances to Others	83	141	68	(35)
Prepaid Expenses	457	(104)	(1,040)	(198)
Increase/(Decrease)				
Accounts Payable and Accrued Expenses	169,207	(97,854)	21,775	9,545
Advances from Others	(218)	(148)	(3,177)	2,883
Deposit Fund Liability	-	-	-	-
Deferred Revenue	23,869	(27,643)	4,006	(2,048)
Changes in Other Long-Term Liabilities	(18,353)	118,941	(6,132)	29,067
Total Adjustments	783,117	534,947	171,304	178,777
Net Cash Provided by (Used in) Operating Activities	1,410,783	1,113,689	310,132	270,726
Cash Flows from Investing Activities:				
Proceeds from Sales of Property and Equipment	285	696	155,112	170,516
Payments Received from Notes Receivable, Net	-	-	200	344
Capital Expenditures	(1,128,498)	(943,437)	(388,180)	(340,364)
Other	(4,987)	(631)	(603)	(12,362)
Net Cash Used in Investing Activities	(1,133,200)	(943,372)	(233,471)	(181,866)
Cash Flows from Financing Activities:				
Principal Payments Under Capital Lease Obligations	(347)	(318)	(34,955)	(59,425)
Additional Appropriated Capital, Net	156,245	324,101	-	-
Principal Payments on Long-Term Debt	(68,988)	(70,541)	-	-
Decrease in Unexpended Appropriations	(7,508)	-	-	-
Receipts Transferred Out, Net	-	-	-	-
Receipts Appropriated, Net	-	-	-	-
Earnings Reclassified as Payables	-	-	-	-
Net Cash Provided by (Used in) Financing Activities	79,402	253,242	(34,955)	(59,425)
Net Increase (Decrease) in Funds with U.S. Treasury	356,985	423,559	41,706	29,435
Funds with U.S. Treasury at Beginning of Year	4,549,534	4,125,975	337,615	308,180
Funds with U.S. Treasury at End of Year	\$ 4,906,519	\$ 4,549,534	\$ 379,321	\$ 337,615
Supplemental Disclosure of Cash Flow Information:				
Total Interest Paid	\$ 87,210	\$ 82,125	\$ 1,885	\$ 7,697
Supplemental Schedule of Financing and Investing Activities:				
Property and Equipment Acquired Under Capital Lease Obligations	\$ 111,666	\$ 80,665	\$ -	\$ -
Property Acquired Under Long-Term Financing Arrangements	\$ 390,058	\$ 474,219	\$ -	\$ -

Consolidating Statements of Cash Flows

Information Technology Fund		Other Funds		Intra-GSA Eliminations		GSA Consolidated Funds	
1994	1993	(Unaudited) 1994	(Unaudited) 1993	1994	1993	1994	1993
\$ 58,857	\$ 31,496	\$ 40,668	\$ (21,957)	\$ -	\$ -	\$ 866,019	\$ 680,230
22,636	21,090	1,486	1,049	-	-	668,130	633,679
(51)	193	-	(584)	-	-	7,834	1,387
-	(533)	(24)	-	-	-	(31,971)	(18,589)
(28,191)	(19,577)	3,473	121,192	10,958	(3,853)	93,474	168,331
565	(1,357)	106	184	-	-	37,367	14,173
192	(110)	-	15	-	-	343	11
(39)	(134)	4,279	(5,505)	-	-	3,657	(5,941)
(16,285)	(24,185)	2,377	(59,953)	(10,958)	3,853	166,116	(168,594)
-	-	-	-	-	-	(3,395)	2,735
-	-	(40,201)	45,727	-	-	(40,201)	45,727
(11,443)	18,350	(469)	(440)	-	-	15,963	(11,781)
416	6,005	(26,222)	18,858	-	-	(50,291)	172,871
(32,200)	(258)	(55,195)	120,543	-	-	867,026	834,009
26,657	31,238	(14,527)	98,586	-	-	1,733,045	1,514,239
-	533	-	-	-	-	155,397	171,745
-	-	787	1,526	-	-	987	1,870
(9,910)	(15,744)	(399)	(754)	-	-	(1,526,987)	(1,300,299)
247	(609)	(1,746)	(11,691)	-	-	(7,089)	(25,293)
(9,663)	(15,820)	(1,358)	(10,919)	-	-	(1,377,692)	(1,151,977)
(25,960)	(31,255)	(636)	(532)	-	-	(61,898)	(91,530)
-	-	274	574	-	-	156,519	324,675
-	-	-	-	-	-	(68,988)	(70,541)
-	-	(14,913)	(8,053)	-	-	(22,421)	(8,053)
-	-	1,530	(6,439)	-	-	1,530	(6,439)
-	-	(20,478)	(14,166)	-	-	(20,478)	(14,166)
-	-	(76)	(5,749)	-	-	(76)	(5,749)
(25,960)	(31,255)	(34,299)	(34,365)	-	-	(15,812)	128,197
(8,966)	(15,837)	(50,184)	53,302	-	-	339,541	490,459
407,619	423,456	337,067	283,765	-	-	5,631,835	5,141,376
\$ 398,653	\$ 407,619	\$ 286,883	\$ 337,067	\$ -	\$ -	\$ 5,971,376	\$5,631,835
\$ 1,208	\$ 5,010	\$ 247	\$ 140	\$ -	\$ -	\$ 90,550	\$ 94,972
\$ 4,687	\$ 18,267	\$ 2,567	\$ -	\$ -	\$ -	\$ 118,920	\$ 98,932
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 390,058	\$ 474,219

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

For the Fiscal Years Ended September 30, 1994 and 1993

1994

ORGANIZATION

The U.S. General Services Administration (GSA) was created by the U.S. Federal Property and Administrative Services Act of 1949, as amended (the Act). The U.S. Congress enacted this legislation to provide for the Federal Government an economic and efficient system for the procurement and operation of buildings, procurement and distribution of general supplies, acquisition and management of a motor vehicle fleet, management of automated data processing resources, and management of telecommunications programs.

The Administrator of General Services, appointed by the President of the United States with the advice and consent of the U.S. Senate, oversees the operations of GSA. GSA carries out its responsibilities through the operation of several appropriated and revolving funds.

1. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Consolidation

In fiscal year 1993, GSA expanded the reporting format of its principal financial statements from a consolidated format to a consolidating format to display its three largest revolving funds; the Federal Buildings Fund, General Supply Fund, and Information Technology Fund. All other funds have been combined under Other Funds.

The accompanying consolidating financial statements of GSA include the accounts of all funds under GSA control which have been established and maintained to account for resources of GSA management. The entities included in the Other Funds category are as follows, with a discussion of the different fund types.

REVOLVING FUNDS are accounts established by law to finance a continuing cycle of operations with receipts derived from such operations usually available in their entirety for use by the fund without further action by Congress. The revolving funds in the Other Funds category consist of the following:

Consumer Information Center Fund
Working Capital Fund

GENERAL FUNDS are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. GSA manages 12 General Fund accounts of which 6 are funded by current year appropriations, 3 by no-year appropriations, and 3 cannot incur new obligations. The general funds included in the Other

Funds category are as follows:

Allowances and Office Staff for Former Presidents
Budget Clearing Account
Excess and Surplus Real and Related Personal Property Holding Account
Expenses, Presidential Transition
Grants, General Management and Administration
Office of Inspector General
Office of Inspector General (Automation Program)
Operating Expenses, Federal Property Resources Service
Operating Expenses, Information Resources Management
Operating Expenses, Personal Property
Real Property Relocation
Salaries and Expenses, General Management and Administration

SPECIAL FUNDS are accounts established for receipts earmarked by law for a specific purpose, but are not generated by a cycle of operations for which there is continuing authority to reuse such receipts. GSA uses Special Fund receipts to pay certain costs associated with the disposal of surplus real property and for funding of the Transportation Audits Program. GSA's special funds consist of the following:

Expenses, Disposal of Real and Related Personal Property
Expenses, Transportation Audits
Operating Expenses, Disposal of Real and Related Personal Property
Other Receipts, Surplus Real and Related Personal Property
Receipts of Rent, Leases and Lease Payments for Government Owned Real Property
Receipts, Transportation Audits
Transfer of Surplus Real and Related Personal Property

DEPOSIT FUNDS accounts hold monies outside the budget. Accordingly, their transactions do not affect budget surplus or deficit. These accounts include (1) deposits received for which GSA is acting as an agent or custodian, (2) unidentified remittances, (3) monies withheld from payments for goods and services received, and (4) monies whose distribution awaits a legal determination or investigation. The deposit funds in the Other Funds category consist of the following:

Employees' Payroll Allotment Account, U.S. Savings Bonds
Proceeds from Sale of Surplus Property
Reserve for Purchase Contract Projects
Suspense
Suspense, Transportation Audits
Unconditional Gifts of Real, Personal or Other Property
Withheld State and Local Taxes

Notes to Consolidating Financial Statements

The Consolidating Financial Statements are prepared in accordance with generally accepted accounting principles as prescribed by the Federal Accounting Standards Advisory Board (FASAB) and the Financial Accounting Standards Board. GSA's accounting policies and procedures are consistent with the General Accounting Office's *Policies and Procedures Manual for Guidance of Federal Agencies*, Title 2. With the approval of the Office of Management and Budget (OMB), GSA's financial statements are prepared using formats different than those prescribed in OMB Bulletin 94-01, "Form and Content of Agency Financial Statements." In the opinion of GSA's management, the financial statement formats currently in use go beyond the OMB prescribed formats to provide a better presentation of GSA's financial results.

In accordance with FASAB's Statement of Federal Financial Accounting Standard Number 1, *Accounting for Selected Assets and Liabilities*, balances on the Statements of Financial Position must differentiate assets and liabilities as being either "intragovernmental" or "governmental". In the Statements of Financial Position, intragovernmental assets and liabilities are generally indicated as "Federal". In addition, Earnings Payable to Treasury, Deferred Revenue, and \$7.9 million of balances in Deposit Fund Liability at September 30, 1994, are considered Federal. All other assets and liabilities are governmental in nature as defined in the standard.

Certain prior year balances have been reclassified to conform with the current year's presentation.

All significant intra-agency balances and transactions have been eliminated in consolidation. Revenue and expense eliminations for the fiscal years ended September 30, 1994 and 1993, consist of the following (dollars in thousands).

	1994	1993
Building rents and services	\$88,279	\$ 86,780
Sales/Purchases of supplies	22,171	15,531
Motor vehicle services	6,135	6,417
Telecommunications services	26,960	23,902
Printing and reproduction services	17,255	17,259
Data processing services	23,369	16,184
Reimbursements	191,330	180,294
Total	\$375,499	\$346,367

B. Revenue Recognition and Expended Appropriations

Generally, Revolving Fund revenue is recognized when goods have been delivered or services rendered. However, revenue under nonrecurring reimbursable building repair and alteration projects is not recognized until project completion. Prior to completion, recognition of revenue from interim billings and of cost from direct material and direct labor incurred to date is

deferred, and the net amount is recorded in the Statements of Financial Position as deferred revenue for repairs and alterations in process.

Appropriations for General Fund activities and the grant program in the Federal Buildings Fund are recorded as a financing source when expended. Unexpended appropriations are recorded as equity of the U.S. Government.

C. Reimbursements (General Funds)

Certain work performed for other Federal agencies and entities is initially financed through General Funds and subsequently reimbursed by such clients. Reimbursements are recognized as revenues when the related expenses are incurred. In both fiscal years 1994 and 1993, these reimbursable services amounted to \$9.5 million after elimination of intra-GSA transactions. Reimbursable services included activities such as Federal employee training and accounting and various professional services.

Beginning in fiscal year 1991, GSA's Fund for Salaries and Expense; General Management and Administration (GM&A) was authorized to collect reimbursement for the majority of its expenses rather than relying on direct appropriations from the U.S. Congress. Activities such as GSA's Office of Administration, Office of the Chief Financial Officer, and Office of General Counsel are reimbursed from the other GSA funds using these services. Reimbursable income in this fund totalled \$144.1 million and \$144.9 million in fiscal years 1994 and 1993, respectively.

D. Funds with U.S. Treasury

This total represents all unexpended balances for GSA's accounts with the U.S. Treasury. Amounts in Funds with U.S. Treasury are based on the balances recorded by GSA in the National Electronic Accounting and Reporting (NEAR) system. No significant differences existed between the total balance reported by GSA and those reported by the Department of Treasury at September 30, 1994 and 1993.

Included in GSA's accounts are certain amounts that management estimates will ultimately be transferred to either the U.S. Treasury or the Land and Water Conservation Fund (see Note 1-G). These amounts relate to the Transportation Audits program and surplus property disposals, and represent available funds in excess of current and future working capital requirements. The estimated excesses, totalling \$84.9 million and \$46.1 million at September 30, 1994 and 1993, respectively, will be transferred subsequent to GSA's determination of the internal working capital needs of those programs.

In accordance with FASAB's Statement of Federal Financial Accounting Standard Number 1, *Accounting for Selected Assets and Liabilities*, the following information is provided to further identify amounts in Funds with U.S. Treasury as of September 30, 1994 against which obligations have been made, and, for unobligated balances, to identify amounts budgetarily available for future expenditures and those only available to liquidate prior obligations (dollars in thousands).

Notes to Consolidating Financial Statements

Schedule of Availability of Funds with U.S. Treasury

	Federal Buildings Fund	General Supply Fund	Information Technology Fund	Other Funds	Total
Obligated balances, net	\$2,268,700	\$(61,287)	\$ 40,203	\$ 51,832	\$2,299,448
Unobligated balances:					
Available for obligation	2,636,920	440,608	358,450	46,299	3,482,277
Unavailable for new obligation	899	-	-	188,752	189,651
Total Funds with U.S. Treasury	\$4,906,519	\$379,321	\$398,653	\$286,883	\$5,971,376

At the end of fiscal year 1994 and 1993, respectively, \$14.6 million and \$16.1 million in Funds with Treasury were no longer available for expenditure. Of these amounts, \$13.5 million and \$15.7 million was transferred back to the Special Fund Receipt Account from which it was appropriated, and the balance returned to Treasury.

E. Inventories

Operating supplies, which are consumed in operations, are valued at the lower of cost, determined principally on the first-in, first-out method, or market. Inventories held for sale to other Federal agencies consist primarily of General Supply Fund inventories which are valued at the lower of cost, generally determined on a moving average basis, or market. The recorded values are adjusted for the results of physical inventories taken periodically in accordance with a cyclical counting plan.

In the General Supply Fund, \$3.7 million of the balances reported as inventories held for sale are excess inventories. Excess inventories are defined as those exceeding the economic retention limit (i.e., the number of units of stock which may be held in inventory without incurring excessive carrying costs). Excess inventories are generally transferred to another Federal agency, sold, or donated to state or local governments.

F. Property and Equipment (See Note 8)

Property and equipment purchases and additions are valued at cost. Property and equipment transferred to GSA from other Federal agencies on the date GSA was established is stated at the transfer value which approximates historical cost. Subsequent thereto, equipment transferred to GSA is stated at net book value, and surplus real and related personal property transferred to GSA is stated at the lower of net book value or appraised value. Expenditures for major additions, replacements, and alterations are capitalized. Normal repair and maintenance costs are expensed as incurred. The cost of repair and alteration and of leasehold improvements performed by GSA,

but financed by other agencies, is not capitalized in GSA's financial statements as such amounts are transferred to the other agencies upon completion of the project. Substantially all land, buildings, and leasehold improvements are leased to other Federal agencies under short-term cancellable agreements. Generally, these agencies are billed for leased space at rent based upon commercial rates for comparable space.

Depreciation and amortization of property and equipment, exclusive of that acquired under capital leases, are calculated on a straight-line basis over their initial or remaining useful lives. Leasehold improvements are amortized over the lesser of their useful lives or the unexpired lease term. Buildings capitalized by the Federal Buildings Fund at its inception in 1974 were assigned remaining useful lives of 30 years. Prior to 1974, no depreciation was recorded by GSA. Upon completion, construction costs are capitalized in the Land and Buildings accounts. In fiscal year 1994, GSA recorded capitalized interest costs of \$38.8 million in the Construction in Process account associated with debt provided by the U.S. Treasury's Federal Financing Bank, as discussed in Note 3. Interest capitalized in fiscal year 1993 amounted to \$27.4 million.

Telecommunications equipment and automated data processing equipment are used in operations to perform services for other Federal agencies for which billings are rendered. Most of the assets comprising other equipment are used internally by GSA. Telecommunications and other equipment, exclusive of that acquired under capital leases, is depreciated over periods generally ranging from 5 to 10 years. Telecommunications equipment under capital leases are generally depreciated over their estimated useful lives (approximately 10 years). Automated data processing equipment is depreciated over periods generally ranging from 3 to 5 years.

Motor vehicles are generally purchased and subsequently depreciated over 4 years, or acquired under operating lease agreements. Motor vehicles are leased on a short-term basis to individual users within the Federal Government.

G. Receipts from Disposal of Property and Equipment

GSA acts as a disposal agent for surplus Federal real and personal property. In some cases, public law entitles the owning agency to the sales proceeds, net of disposal expenses incurred by GSA. Proceeds from the disposal of equipment are generally retained by GSA to replace equipment. Under GSA's legislative authorities, the gross proceeds from some sales are deposited in GSA's Special Fund receipt accounts and recorded as a proprietary receipt in the Statements of Operations. A portion of these proceeds is subsequently transferred to a Special Fund to finance expenses incurred in disposing of surplus property. The remainder is periodically accumulated and transferred, by law, to the Land and Water Conservation Fund administered by the U.S. Department of the Interior. Transfers in fiscal years 1994 and 1993 were \$2.0 million and \$5.0 million, respectively.

H. Annual, Sick, and Other Types of Leave

Annual leave is accrued as it is earned and the accrual is relieved as leave is taken. Each year the balance in the accrued annual leave account is adjusted to reflect current pay rates.

Sick leave and other types of nonvested leave are expensed as taken.

I. Accounting for Interagency Activities

Other Federal agencies make financial decisions and report certain financial matters on behalf of the Federal Government as a whole, including matters in which individual agencies may be an indirect party in interest. This concept of having Federal agencies record or report only those governmentwide financial matters for which they are directly responsible is consistent with the U.S. General Accounting Office's *Policies and Procedures Manual for Guidance of Federal Agencies*, Title 2, which seeks to identify financial matters with the agencies which have the budgetary authority and resources to manage them.

Financial matters maintained or reported by other Federal agencies in which GSA is indirectly involved include employee pension and postretirement benefit plans (see Note 4) and certain legal situations (see Note 6).

J. Statements of Cash Flows

The Statements of Cash Flows identify cash receipts and payments and classifies them into operating, financing, and investing activities. This additional disclosure of information is intended to help assess the ability to generate funds from current operations, to identify financing acquired from outside sources, and to identify the major non-operating (investing) uses of funds. Cash, for the purposes of these statements, equals Funds with U.S. Treasury as defined in Note 1-D.

K. Supplemental Schedule of Budget and Actual Expenses

In accordance with the Office of Management and Budget Bulletin 94-01, "Form and Content of Agency Financial Statements," GSA reports a Supplemental Schedule of Budget and Actual Expenses for fiscal year 1994 activity. This statement presents budget information as reported on GSA's "Reports on Budget Execution," Standard Form 133 (SF 133), and reconciles accrued expenditures from those reports to expenses as reported in the Statements of Operations. Final SF 133 reports were submitted during November 1994, in accordance with requirements issued by the Department of Treasury. Since the Statements of Operations incorporate all adjustments through the end of the audit period, resulting reconciling differences caused by this difference in timing are reflected in the statement.

L. Workers' Compensation Benefits

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The FECA program is administered by the U.S. Department of Labor (DOL) which initially pays valid claims and subsequently seeks reimbursement from the Federal agencies employing the claimants. In fiscal year 1993, DOL began providing the actuarial liability for claims outstanding at the end of the fiscal year. This liability includes the estimated future costs of death benefits, workers' compensation, and medical and miscellaneous costs for approved compensation cases. The present value of these estimates at the end of fiscal year 1994 was calculated using a discount rate of 7.0 percent for fiscal year 1995, and thereafter. At the end of fiscal year 1993, the discount rates used were 5.76 percent for fiscal year 1994, and 5.80 percent for fiscal year 1995 and thereafter. The increase in interest rate projections was one of the primary reasons for the decrease in the present value of the actuarial liability indicated below.

GSA first recorded this liability in its entirety in the fiscal year 1993 financial statements. The actuarial liability calculated by DOL for which GSA is responsible totalled \$154.5 million and \$164.9 million as of September 30, 1994 and 1993, respectively (see Note 5-B).

2. LEASING ARRANGEMENTS

As of September 30, 1994, GSA was committed to various non-cancellable operating leases primarily covering administrative office space and storage facilities maintained by the Federal Buildings Fund. Many of these leases contain escalation clauses and renewal options.

Notes to Consolidating Financial Statements

GSA was also committed to various capital leases covering telecommunications equipment maintained through the Information Technology Fund and photocopying equipment maintained through the Working Capital Fund. Capital leases covering telecommunications equipment generally transfer ownership to GSA at the end of the lease term. Capital leases for photocopying equipment provide for bargain purchase options or transfer ownership to GSA at the end of the lease term. For those capital leases that neither transfer ownership nor grant purchase options, GSA has the right to renew such leases at the fair rental value.

The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year, and under capital leases together with the present value of the future minimum lease payments (dollars in thousands).

Operating Leases

Fiscal Year	Federal Buildings Fund	General Supply Fund	Total
1995	\$ 1,688,563	\$ 25,859	\$ 1,714,422
1996	1,456,220	7,921	1,464,141
1997	1,250,186	-	1,250,186
1998	1,082,324	-	1,082,324
1999	747,920	-	747,920
2000 and thereafter	4,764,274	-	4,764,274
Total minimum lease payments	\$10,989,487	\$ 33,780	\$11,023,267

Capital Leases

Fiscal Year	Federal Buildings Fund	Information Technology Fund	Other Funds	Total
1995	\$ 3,037	\$ 7,566	\$ 752	\$ 11,355
1996	3,037	3,747	649	7,433
1997	3,037	3,313	622	6,972
1998	3,037	940	537	4,514
1999	3,037	184	7	3,228
2000 and thereafter	336,246	476	-	336,722
Total minimum lease payments	351,431	16,226	2,567	370,224
Less: Amounts representing-				
Interest	(43,359)	(738)	(360)	(44,457)
Executory costs	-	(7,990)	-	(7,990)
Total obligations under capital leases	308,072	7,498	2,207	317,777
Less: Current maturities	(379)	(2,698)	(592)	(3,669)
Obligations under capital leases, noncurrent	\$ 307,693	\$ 4,800	\$ 1,615	\$ 314,108

Substantially all leased space maintained by the Federal Buildings Fund is sublet to other Federal agencies at rent charges based upon approximate commercial rates for comparable space. The agreements covering the sublease arrangements allow customer agencies, among other things, to terminate the sublease at any time. In most cases, however, GSA believes the

subleases will continue without interruption. Rental income under subleasing agreements approximated \$2.5 billion and \$2.3 billion for the fiscal years ended September 30, 1994 and 1993, respectively. Rent expense under all operating leases, including short-term noncancellable leases, was approximately \$2.1 billion and \$1.9 billion, respectively, for these same years.

Notes to Consolidating Financial Statements

The Statements of Financial Position as of September 30, 1994, includes capital lease assets of \$13.6 million for telecommunications equipment, \$3.4 million for photocopying equipment, \$312.8 million for buildings and buildings under construction, and \$6.1 million of aggregate accumulated amortization on such equipment and structures. Telecommunications equipment on lease decreased significantly in fiscal year 1994 due to the buyout of lease agreements totalling \$20.3 million. Ongoing construction on the Federal Triangle project in Washington, DC accounted for the \$111.7 million increase in leases for real property.

For substantially all of its leased property, GSA expects that in the normal course of business such leases will be either renewed or replaced in accordance with the needs of its customer agencies.

3. DEBT FINANCING

A. Purchase Contract and Lease Purchase Debt

Purchase contract debt consists of two distinct financing methods employed to finance construction of Federal buildings. The Dual System provided monies via publicly issued Participation Certificates (Series A through J) and Participation Certificates of the Department of the Treasury's Federal Financing Bank (Series K through M). The Package System, for which construction and financing were arranged by the same party, consists of mortgage notes which are payable in semiannual installments over a 30-year period. GSA is not authorized to obtain any additional purchase contract debt without congressional approval.

The Participation Certificates held by the public were covered by a Public Buildings Purchase Contract and Trust Indenture, which among other things, gave the trustee security interest in the related property. GSA has annual sinking fund requirements to retire a portion of the outstanding certificates in varying amounts as specified by the indenture. In fiscal year 1993, GSA elected to redeem the entire amount of outstanding certificates held by the public by refinancing the outstanding balance with the Federal Financing Bank. This was done to take advantage

of favorable interest rates, which will result in a cash savings to GSA of approximately \$45.7 million over the life of the notes.

During fiscal year 1994, GSA refinanced 15 of the 17 remaining Package System mortgage notes through the Federal Financing Bank. This will allow GSA to have title to all but two purchase contract buildings.

In Fiscal Year 1991, GSA entered into several agreements to fund the purchase of land and construction of buildings under the Federal Buildings Fund (FBF) lease purchase authority. Under these agreements, the FBF will borrow monies through the Federal Financing Bank, or execute lease-to-own contracts to finance the lease purchases. The program authorizes total expenditures of \$1,945.1 million for 11 projects. In fiscal year 1994 and 1993, respectively, the FFB made advance payments on the behalf of GSA totaling \$405.3 million and \$448.6 million.

Aggregate debt maturities are as follows (dollars in thousands): 1995 - \$226,248; 1996 - \$80,719; 1997 - \$86,543; 1998 - \$87,848; 1999 - \$90,556; 2000 and beyond - \$1,343,456.

B. Disclosures about Fair Value of Financial Instruments

The Financial Accounting Standards Board's Statement of Financial Accounting Standard No. 107, requires disclosure of the fair value of financial instruments. All of GSA's financial instruments reflect market value except GSA's purchase contract and lease purchase debt. The fair value of this debt was determined by calculating the present value of all future payments (principal and interest) using the market-based annualized yields of U.S. Treasury Securities with similar maturity dates. The construction advances for the Foley Square, Memphis, Miami, Woodlawn, Chamblee, and Atlanta projects require no payments until their maturity at which time they will be refinanced at market-based rates over a longer term. The fair value of the debt for these projects is reflected at the carrying value.

The following schedule shows all outstanding purchase contract and lease purchase debt at their fair values along with their carrying values reflected in the Statements of Financial Position (dollars in thousands):

	1994		1993	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Dual System	\$ 635,037	\$ 660,697	\$ 698,133	\$ 778,929
Package System	47,822	46,613	51,485	58,472
Lease Purchase Projects	1,232,511	1,213,267	849,470	891,624
Totals	\$1,915,370	\$1,920,577	\$1,599,088	\$1,729,025

Notes to Consolidating Financial Statements

The purchase contract and lease purchase debt outstanding at September 30, 1994 and 1993 was as follows (dollars in thousands).

	1994	1993
Purchase Contract Debt		
Dual System:		
Participation certificates held by the Federal Financing Bank:		
Series GSA_REF 0001-0005, due November 1, 2000, at interest rates ranging from 5.852 percent to 5.885 percent	\$ 84,384	\$ 95,882
Series GSA_REF 0006, due December 15, 2000, bearing interest at 6.1 percent	84,899	95,818
Series GSA_REF 0007, due March 2, 1998, bearing interest at 4.703 percent	25,611	32,368
Series GSA_REF 0008, due January 31, 2001, bearing interest at 5.238 percent	79,018	89,730
Series K, due June 26, 2004, bearing interest at 9.0741 percent	96,142	101,862
Series L, due November 15, 2004, bearing interest at 8.472 percent	70,822	74,882
Series M, due June 26, 2003, bearing interest at 9.162 percent	194,161	207,591
Total Dual System	635,037	698,133
Package System:		
Mortgage loans due at April 27 and September 17, 2004, at interest rates of 7.25 percent and 7.75 percent	2,861	51,485
Mortgage loans held by the Federal Financing Bank due at various dates from March 25, 2003 through March 25, 2005, at interest rates ranging from 6.399 percent to 7.41 percent	44,961	-
Total Package System	47,822	51,485
Lease Purchase Projects held by the Federal Financing Bank:		
Chicago, mortgage loans due June 26, 2021, at interest rates ranging from 7.42 percent to 8.561 percent	153,043	154,511
Foley Square, construction advances due December 11, 1995, at interest rates ranging from 4.000 percent to 8.116 percent	723,097	448,279
Memphis, construction advances due January 3, 1995, at interest rates ranging from 3.615 percent to 6.022 percent	47,637	11,239
Miami, mortgage loan due January 1, 2022, bearing interest at 6.376 percent	8,177	8,285
Miami, construction advances due January 3, 1995, at interest rates ranging from 4.165 percent to 5.299 percent	5,206	4,972
Oakland, mortgage loans due September 5, 2023, at interest rates ranging from 5.833 percent to 7.939 percent	193,401	184,893
Woodlawn, construction advances due June 30, 1995, at interest rates ranging from 3.844 percent to 5.719 percent	95,678	33,132
Chamblee, IRS, construction advances due April 1, 1997, at interest rates ranging from 4.545 percent to 6.528 percent	509	396
Chamblee, CDC Office, mortgage loan due May 12, 2023, bearing interest at 6.547 percent	3,721	3,763
Atlanta, CDC, construction advances due September 1, 1995, at interest rates ranging from 4.016 percent to 6.028 percent	2,042	-
Total Lease Purchase Debt	1,232,511	849,470
Total Purchase Contract and Lease Purchase Debt	1,915,370	1,599,088
Less: Current maturities	226,248	70,016
Total Long-Term Debt	\$1,689,122	\$1,529,072

4. EMPLOYEE BENEFIT PLANS

A. Background

Although GSA funds a portion of pension benefits for its employees under the Civil Service Retirement System and the Federal Employees Retirement System and makes the necessary payroll withholdings from them, GSA is not required to disclose the assets of the systems or the actuarial data with respect to accumulated plan benefits or the unfunded pension liability relative to its employees. Reporting such amounts is the direct

responsibility of the Office of Personnel Management (OPM). The cost of health care benefits for retired employees and the reporting of such amounts are also the direct responsibility of OPM.

B. Civil Service Retirement System

The majority of GSA's employees were covered by the Civil Service Retirement System (CSRS), a defined benefit plan, during 1994 and 1993 (55 percent of employees in both years). Total GSA (employer) contributions (7.5 percent of base pay for law enforcement employees, and 7 percent for all others) to

CSRS for all employees in fiscal years 1994 and 1993 were \$34.0 million and \$32.1 million, respectively.

C. Federal Employees Retirement System

On January 1, 1987, the Federal Employees Retirement System (FERS), a defined contribution plan, went into effect pursuant to Public Law 99-335. Employees hired after December 31, 1983, were automatically covered by FERS and Social Security while employees hired prior to January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. As of September 30, 1994, 42 percent of GSA's employees were covered under FERS. One of the primary differences between FERS and CSRS is that FERS offers automatic and matching contributions into the Federal Government's Thrift Savings Plan (TSP) for each employee. Under CSRS, employees can invest up to 5 percent of their base pay in the TSP. Employees under FERS can invest up to 10 percent of base pay, plus GSA will automatically contribute 1 percent of base pay and then match employee contributions up to an additional 4 percent of base pay. During fiscal years 1994 and 1993, total GSA (employer) contributions to FERS were \$36.1 million and \$33.7 million, respectively. Additional GSA contributions to the TSP in fiscal years 1994 and 1993 totalled \$10.6 million and \$9.1 million, respectively.

D. Social Security System

GSA also makes matching contributions to the Social Security Administration (SSA) under the Federal Insurance Contributions Act (FICA). For employees covered by FERS, GSA contributed matching amounts of 6.2 percent of gross pay (up to \$60,600) to SSA's Old-Age, Survivors, and Disability Insurance (OASDI) program in calendar year 1994. Additionally, GSA makes matching contributions for all employees of 1.45 percent of gross pay to SSA's Medicare Hospital Insurance program in calendar year 1994. Three percent of GSA's employees are only covered by these Social Security programs. Payments to these programs in fiscal years 1994 and 1993 amounted to \$31.8 million and \$30.2 million, respectively.

5. INVESTED CAPITAL, FUTURE FUNDING REQUIREMENTS, AND CUMULATIVE RESULTS OF OPERATIONS

A. Invested Capital

Invested capital represents U.S. Government resources invested in certain GSA assets, principally land, buildings, construction in process, and equipment. Increases to invested capital are recorded only when such assets are acquired with direct appropriations or with monies transferred to GSA for that purpose, or when existing properties are transferred to GSA.

GSA records no diminution in invested capital for depreciation in its Revolving Funds since it recovers depreciation expense through interagency billings. Resources obtained through such billings are generally used to replace, repair, or otherwise alter GSA's existing capital asset base, thus maintaining the value of invested capital.

B. Future Funding Requirements

Future funding requirements are recorded to recognize the amount of appropriated funding that will be needed in future periods to liquidate liabilities incurred through the current fiscal year. Funding for these items, such as legal claims and actuarial liabilities, is generally received in the year that amounts become due and payable. Such liabilities are generally not intended to be absorbed by the existing capital of the associated fund.

Included in future funding requirements are amounts related to the unfunded liabilities associated with legal actions brought by employees of GSA for on-the-job injuries which fall under the Federal Employees Compensation Act (FECA), administered by the U.S. Department of Labor (DOL). DOL bills each agency annually as claims are paid, and such bills are due in two years to allow funding through the budget process. GSA records these liabilities, which totaled \$3.6 million and \$3.5 million at September 30, 1994 and 1993, respectively, when the bills are received. During fiscal year 1993, DOL began providing GSA with an actuarial estimate of the present value of long-term payments related to claims incurred at the end of the fiscal year (see Note 1-L). The actuarial present value of unfunded FECA liability for appropriated funds was \$13.2 million and \$15.0 million as of September 30, 1994, and 1993, respectively, and corresponding amounts have been established in Future Funding Requirements in the Statements of Financial Position for the respective fiscal years. Also included in future funding requirements are amounts relating to the long-term pension fund liability for former Presidents and their spouses. The current portion of this liability is funded by an annual appropriation. This liability amounted to \$6.7 million and \$7.1 million at the end of fiscal years 1994 and 1993, respectively. Pending legal contingencies are generally not funded until final settlement of a claim. While there were none at the end of fiscal year 1994, legal claims requiring future funding amounting to \$25.0 million in fiscal year 1993 were reversed. Accrued unfunded annual leave liability totaled \$17.3 million and \$16.7 million as of September 30, 1994 and 1993, respectively.

C. Cumulative Results of Operations

Cumulative results of operations for Revolving Funds include revenues in excess of expenses since their inception, reduced by funds returned to the U.S. Treasury, by congressional rescissions, and by transfers to other Federal agencies.

GSA's Federal Buildings Fund (FBF), General Supply Fund (GSF), Information Technology Fund (ITF), Working Capital Fund (WCF), and Consumer Information Center Fund (CICF) have legislative authority to retain portions of their cumulative results for specific purposes. The FBF retains cumulative results to finance future operations and construction, subject to appropriation by Congress. In the GSF, earnings are retained to cover the cost of replacing the motor vehicle fleet and supply inventory. The ITF retains cumulative results to provide financing for major systems acquisitions and improvements. The WCF retains earnings to offset the cost of equipment replacement. The CICF retains cumulative results to finance future operations, subject to appropriation by Congress.

Notes to Consolidating Financial Statements

D. Summary

Below is a summary of the activity of Cumulative Results of Operations and Invested Capital for fiscal years 1994 and 1993 (dollars in thousands).

Schedule of Cumulative Results of Operations and Invested Capital

Cumulative Results of Operations	Federal Buildings Fund		General Supply Fund		Information Technology Fund		Other Funds		GSA Consolidated Totals	
	1994	1993	1994	1993	1994	1993	1994	1993	1994	1993
Beginning Balance	\$3,788,349	\$3,209,871	\$848,660	\$756,712	\$148,371	\$116,878	\$41,013	\$90,173	\$4,826,393	\$4,173,634
Revenues in Excess of (Less Than) Expenses	627,666	578,742	138,828	91,949	58,857	31,496	40,668	(21,957)	866,019	680,230
Unfunded expenses reclassified to Future Funding Requirements	-	-	-	-	-	-	(26,492)	16,685	(26,492)	16,685
Earnings paid and payable to U.S. Treasury	(264)	(264)	-	-	-	-	7,806	(9,988)	7,542	(10,252)
Receipts appropriated to finance Special Funds activities	-	-	-	-	-	-	(20,478)	(14,166)	(20,478)	(14,166)
Receipts paid and payable to the Land and Water Conservation Fund	-	-	-	-	-	-	(3,771)	(19,726)	(3,771)	(19,726)
Other	-	-	-	(1)	-	(3)	(15)	(8)	(15)	(12)
Ending balance	\$4,415,751	\$3,788,349	\$987,488	\$848,660	\$207,228	\$148,371	\$38,731	\$41,013	\$5,649,198	\$4,826,393

Invested Capital	Federal Buildings Fund		General Supply Fund		Information Technology Fund		Other Funds		GSA Consolidated Totals	
	1994	1993	1994	1993	1994	1993	1994	1993	1994	1993
Beginning Balance	\$5,865,770	\$5,561,096	\$881,305	\$875,515	\$78,649	\$78,768	\$5,364	\$3,856	\$6,831,088	\$6,519,235
Additional appropriated capital, net	51,245	324,101	-	-	-	-	274	574	51,519	324,675
Transfers of inventories, property and equipment from (to) other Federal agencies	(1,040)	(19,427)	22,217	5,790	(11)	(120)	(1,268)	926	19,898	(12,831)
Other	-	-	-	-	(1)	1	13	8	12	9
Ending balance	\$5,915,975	\$5,865,770	\$903,522	\$881,305	\$78,637	\$78,649	\$4,383	\$5,364	\$6,902,517	\$6,831,088

6. COMMITMENTS AND CONTINGENCIES

A. Commitments

In addition to future lease commitments discussed in Note 2, GSA is committed under obligations for goods and services which have been ordered but not yet received (undelivered orders) at fiscal year-end. Aggregate undelivered orders for all GSA activities increased to \$2.6 billion from \$2.3 billion in fiscal years 1994 and 1993, respectively.

During fiscal year 1989, GSA awarded two contracts for telecommunications services (FTS2000) to replace the existing intercity voice Federal Telecommunications System. The contracts cover a 10-year period and provide enhanced telecommunications capabilities for Federal agencies, including transition to an integrated services digital network. Costs over the remaining term of the contracts are estimated to be \$2.5 billion to \$5.0 billion.

B. Contingencies

GSA is a party in various administrative proceedings, legal actions, environmental suits, and claims brought by or against it. In the opinion of GSA management and legal counsel, the ultimate resolution of these proceedings, actions, and claims will not materially affect the financial position or results of operations of GSA.

As of September 30, 1994 and 1993, GSA recorded contingent liabilities in total of \$89.0 million and \$143.3 million, respectively, for pending and threatened legal matters for which, in the opinion of GSA management and legal counsel, GSA will probably incur losses. Of these balances, \$42.4 million and \$88.5 million, respectively, were reported in the Other Long-Term Liabilities section of the Statements of Financial Position, with the remainder reported as accounts payable in the Statements of Financial Position. In addition, GSA had another \$62.2 million in contingencies where it is possible, but not probable, that GSA

will incur some cost. Accordingly, no balances have been recorded in the financial statements for these cases.

In most cases, legal matters which directly involve GSA relate to contractual arrangements GSA has entered into either for property and services it has obtained or procured on behalf of other Federal agencies. The costs of administering, litigating, and resolving these actions are generally borne by GSA unless it can recover the cost from another Federal agency. Certain legal matters in which GSA may be named party are administered and, in some instances, litigated by other Federal agencies.

Amounts to be paid under any decision, settlement, or award pertaining thereto are sometimes funded by those agencies. In most cases, tort claims are administered and resolved by the U.S. Department of Justice and any amounts necessary for resolution are obtained from a special Judgment Fund maintained by the U.S. Department of the Treasury. Amounts paid from this Judgment Fund on behalf of GSA were \$8.9 million and \$14.4 million in fiscal years 1994 and 1993, respectively. Of these amounts \$1.9 million and \$12.3 million, respectively, related to claims filed under the Contract Disputes Act for which payments have been or will be made to reimburse the Judgment Fund by the GSA funds liable under the contracts in dispute. The balance of claims paid on the behalf of GSA do not require reimbursement to the Judgment Fund and are not reflected in GSA's financial statements.

For several environmental cases GSA has been named as one of the potentially responsible parties. Awards for such environmental claims are eligible for payment from the Judgment Fund, unless funding was otherwise provided for in an agency's appropriation. GSA's Office of General Counsel has concluded that all environmental claims to which GSA is currently a party would be satisfied from the Judgment Fund. Consequently, no amounts are reflected in the accompanying financial statements for these claims. The potential liability to all parties for these cases is estimated to range from \$1.3 billion to \$1.8 billion, of which it is estimated that the proportion attributable to GSA ranges from \$98 million to \$155 million.

Notes to Consolidating Financial Statements

7. ACCOUNTS AND NOTES RECEIVABLE

Substantially all accounts receivable are from other Federal agencies. Unbilled accounts receivable result from the delivery of goods or performance of services for which bills have not yet been rendered.

Notes receivable are from the sale of surplus real and related personal property, from motor vehicle damage claims, and from contract claims. Interest rates range from 0.00 percent to

12.875 percent. Annual maturities (in thousands of dollars) on notes receivable outstanding as of September 30, 1994 are as follows: 1995 - \$4,969; 1996 - \$2,634; 1997 - \$2,873; 1998 - \$1,081; 1999 - \$467; 2000 and beyond - \$6,335.

A summary of Accounts and Notes Receivable is as follows (dollars in thousands).

	Federal Buildings Fund		General Supply Fund	
	1994	1993	1994	1993
Current:				
Accounts receivable - Billed	\$ 178,325	\$ 241,423	\$ 74,101	\$ 65,690
Accounts receivable - Unbilled	167,338	232,197	167,657	157,539
Allowance for doubtful accounts	(81,091)	(81,086)	(4,244)	(6,443)
	264,572	392,534	237,514	216,786
Add: Notes receivable - Current	27	-	773	555
Total Receivables - Current	\$ 264,599	\$ 392,534	\$ 238,287	\$ 217,341
Notes Receivable:				
Individuals	\$ 27	\$ -	\$ 88	\$ 165
Corporations (Net of allowance of \$1,292 and \$1,900 in 1994 and 1993, respectively)	-	-	877	518
State and local governments	-	-	-	-
Subtotal	27	-	965	683
Less: Current portion above	(27)	-	(773)	(555)
Total Long-Term Notes Receivable	\$ -	\$ -	\$ 192	\$ 128

8. PROPERTY AND EQUIPMENT

Changes in GSA's Property and Equipment accounts are summarized below (dollars in thousands).

September 30, 1993	Leasehold Buildings	Telecom. Imprvmnts	ADP Equip.	Motor Equip.	Other Vehicles	Equip.	Const. In Land	Process	Total
Cost	\$ 7,948,994	\$ 114,813	\$ 178,487	\$ 4,998	\$ 1,557,349	\$ 87,280	\$ 799,997	\$1,910,504	\$12,602,422
Accumulated Depreciation	3,323,096	57,253	89,605	3,999	440,959	31,195	-	-	3,946,107
Net Book Value	4,625,898	57,560	88,882	999	1,116,390	56,085	799,997	1,910,504	8,656,315
Adjustments to cost:									
Acquisitions	51,961	2,618	8,637	399	379,419	16,494	70,645	1,386,872	1,917,045
Disposals	-	-	-	-	(274,743)	(3)	-	-	(274,746)
Adjustments	(18,112)	(349)	(3,538)	(5)	-	2,098	(245,161)	170,497	(94,570)
Transfers, net	211	(3,276)	(227)	-	62,976	(2,356)	(27,781)	28,042	57,589
Work-in-Process Completed	1,082,508	7,747	10	-	-	-	-	(1,090,265)	-
Net Capital Lease Acquisition	-	-	4,687	-	-	2,567	-	111,666	118,920
Subtotal	1,116,568	6,740	9,569	394	167,652	18,800	(202,297)	606,812	1,724,238
Adjustments to Accumulated Depreciation									
Disposals	-	-	-	-	(151,491)	-	-	-	(151,491)
Adjustments	(1)	2	(207)	-	(37)	68	-	-	(175)
Transfers, net	(1,122)	(834)	(674)	-	37,333	(2,058)	-	-	32,645
Annual Depreciation Expense	449,907	19,773	15,444	425	167,888	14,560	-	-	667,997
Subtotal	448,784	18,941	14,563	425	53,693	12,570	-	-	548,976
September 30, 1994									
Cost	9,065,562	121,553	188,056	5,392	1,725,001	106,080	597,700	2,517,316	14,326,660
Accumulated Depreciation	3,771,880	76,194	104,168	4,424	494,652	43,765	-	-	4,495,083
Net Book Value	\$ 5,293,682	\$ 45,359	\$ 83,888	\$ 968	\$ 1,230,349	\$ 62,315	\$ 597,700	\$2,517,316	\$9,831,577

Notes to Consolidating Financial Statements

Information Technology Fund		Other Funds		Intra-GSA Eliminations		GSA Consolidated Totals	
1994	1993	1994	1993	1994	1993	1994	1993
\$ 61,987	\$ 37,934	\$ 23,407	\$ 46,634	\$ 115	\$ 1,045	\$337,705	\$390,636
99,696	95,558	22,941	17,144	29,482	17,594	428,150	484,844
(168)	(168)	(13,429)	(27,386)	-	-	(98,932)	(115,083)
161,515	133,324	32,919	36,392	29,597	18,639	666,923	760,397
-	-	4,169	9,179	-	-	4,969	9,734
\$161,515	\$133,324	\$ 37,088	\$ 45,571	\$29,597	\$18,639	\$671,892	\$770,131
\$ -	\$ -	\$ 1,052	\$ 1,483	\$ -	\$ -	\$ 1,167	\$ 1,648
-	-	15,901	14,716	-	-	16,778	15,234
-	-	414	697	-	-	414	697
-	-	17,367	16,896	-	-	18,359	17,579
-	-	(4,169)	(9,179)	-	-	(4,969)	(9,734)
\$ -	\$ -	\$ 13,198	\$ 7,717	\$ -	\$ -	\$ 13,390	\$ 7,845

9. OTHER NONCURRENT ASSETS

GSA's other noncurrent assets are summarized below (dollars in thousands).

	1994	1993
Federal Buildings Fund:		
Long-Term Construction Advances, Federal	\$ 8,000	\$ -
Artworks	877	877
Surplus and Idle Property and Equipment	1,679	1,683
Long-Term Receivables	609	609
Information Technology Fund:		
Deferred Charges	325	386
Surplus and Idle Property and Equipment	66	3
Other Funds:		
Surplus and Idle Property and Equipment	1,910	2,913
Total	\$13,466	\$ 6,471

10. OTHER REVENUE

Other revenue of GSA is summarized below (dollars in thousands).

	1994	1993
General Supply Fund:		
Export program surcharges	\$12,634	\$13,326
Personal property disposal program	3,860	-
Furniture reclamation	3,607	4,319
Miscellaneous	1,935	421
Federal Buildings Fund:		
Energy rebates	3,022	5,845
Miscellaneous	340	636
Information Technology Fund:		
Miscellaneous	89	635
Other Funds, Net of Intra-GSA Eliminations:		
Working Capital Fund revenues from other agencies	17,005	20,250
Consumer information services	5,615	5,408
Administrative services revenues from other agencies	3,715	4,275
Total	\$51,822	\$55,115

Notes to Consolidating Financial Statements

11. SUBSEQUENT EVENTS

Under the Federal Workforce Restructuring Act of 1994 (Public Law 103-226), government agencies were provided temporary authority to offer voluntary separation incentive payments (VSIP), or buyouts, to employees to reduce the Federal workforce. GSA offered this incentive payment of up to \$25,000 to all employees. In most cases, employees are required to leave between October 1, 1994 and April 1, 1995. Accordingly the cost to the government will be primarily incurred in fiscal year 1995. In addition to the VSIP, the Act requires agencies to fund a payment equaling 9 percent of retiring employees' basic pay, as well as an annual \$80 charge per employee remaining on March 31 of fiscal years 1995 through 1998, to the Civil Service

Retirement and Disability Fund of the Office of Personnel Management (OPM).

Overall, 2,400 employees offered to retire or resign under this authority. Only the Federal Supply Service (FSS) and the Office of FTS2000 had funds available to accept buyouts in fiscal year 1994. For employees who left in fiscal year 1994, associated costs totaling \$3.9 million, \$132 thousand, and \$718 thousand were recorded in the General Supply Fund, Information Technology Fund, and other FSS funds, respectively, and were incorporated in the fiscal year 1994 financial statements. At December 31, 1994, the total cost incurred in fiscal year 1995, associated with employee buyouts for the VSIP, the OPM 9 percent charge, and for accumulated annual leave (which while accrued as an expense when earned is obligated as it is used) are as follows (dollars in thousands).

	Federal Buildings Fund	General Supply Fund	Information Technology Fund	Other Funds	Total
VSIP	\$29,302	\$11,122	\$4,649	\$9,971	\$55,044
OPM 9 percent charge	1,481	446	296	630	2,853
Annual leave payments	4,578	1,617	999	2,065	9,259
Total	\$35,361	\$13,185	\$5,944	\$12,666	\$67,156

U.S. General Services Administration

SUPPLEMENTAL SCHEDULE OF BUDGET AND ACTUAL EXPENSES

For the Fiscal Year Ended September 30, 1994
(Dollars in Thousands)

1994

	BUDGET			ACTUAL
		Obligations		
Fund Type	Resources	Direct	Reimbursable	Accrued Expenditures
Revolving Funds:				
Federal Buildings Fund	\$ 8,981,860	\$ 5,333,813	\$ 506,637	\$ 5,402,181
General Supply Fund	3,236,882	-	2,812,753	2,863,547
Information Technology Fund	1,715,538	-	1,362,058	1,252,252
Others	42,955	2,114	39,667	43,690
Total Revolving Funds	13,977,235	5,335,927	4,721,115	9,561,670
General Funds:				
Salaries and Expenses, General Management & Administration	178,236	30,345	144,003	174,299
Operating Expenses, FSS	45,449	42,244	1,313	42,298
Operating Expenses, IRM	105,954	44,713	57,432	106,393
Others	76,471	56,824	2,023	63,449
Total General Funds	406,110	174,126	204,771	386,439
Deposit and Special Funds	23,045	14,462	30	12,875
Funds Total	\$14,406,390	\$ 5,524,515	\$ 4,925,916	\$ 9,960,984

Budget Reconciliation (Note 1-K):	Federal Buildings Fund	General Supply Fund	Information Technology Fund	Other Funds	Total
Direct Expenditures	\$ 351,706	\$ (36,257)	\$ (37,469)	\$ 200,529	\$ 478,509
Reimbursed Expenditures	5,050,475	2,899,804	1,289,721	242,475	9,482,475
Total Expenditures	5,402,181	2,863,547	1,252,252	443,004	9,960,984
Less:					
Capital Expenditures	1,128,498	388,180	9,910	399	1,526,987
Acquisitions Using Debt	390,058	-	-	2,567	392,625
Lease and Debt Payments	8,251	34,955	25,960	206	69,372
Debt Refinancing	46,580	-	-	-	46,580
Inventory Transactions	(259,956)	(36,059)	(565)	(106)	(296,686)
Intra-Fund Eliminations	-	389,264	-	-	389,264
Other Expended Authority	(129,923)	1,167	150	1,977	(126,629)
Add:					
Depreciation and Amortization	471,616	172,392	22,636	1,486	668,130
Unfunded Leave Expense	4,052	542	496	651	5,741
Adjustments for Equipment	7,857	123,847	(51)	(24)	131,629
Other Unfunded Expenses	16,431	(6,715)	(24)	(26,722)	(17,030)
Miscellaneous	27,411	(12,823)	(12,330)	2,148	4,406
Total Expenses By Fund	\$ 4,746,040	\$ 2,363,283	\$ 1,227,524	\$ 415,500	8,752,347
Less: Intra-GSA Eliminations					375,499
Total Expenses					\$8,376,848

U.S. General Services Administration

SUPPLEMENTAL SCHEDULE OF OTHER BUDGETARY RESULTS

As of and For the Fiscal Years Ended
September 30, 1994 and 1993 (Dollars in Thousands)

1994

	Federal Buildings Fund		General Supply Fund		Information Technology Fund		Other Funds		GSA Total *	
	1994	1993	1994	1993	1994	1993	1994	1993	1994	1993
Outlays	\$ 154,899	\$572,687	\$ (27,043)	\$ (33,614)	\$ 11,380	\$ 14,887	\$207,623	\$200,305	\$ 346,859	\$ 754,265
Undelivered Orders	2,023,677	1,664,872	259,525	326,599	265,326	223,951	43,721	67,980	2,592,249	2,283,402
Unfilled Customer Orders	1,169,449	1,099,568	239,950	277,161	427,745	385,806	351	-	1,837,495	1,762,535
Obligations Incurred	5,840,450	5,289,087	2,812,743	2,846,168	1,362,058	1,253,790	435,171	452,279	10,450,422	9,841,324
Offsetting Collections	5,120,356	4,881,446	2,862,593	2,947,693	1,331,660	1,178,232	242,873	234,821	9,557,482	9,242,192
Obligated Balance, End of Year	2,268,700	1,782,968	(61,287)	(22,209)	40,203	89,616	51,832	83,891	2,299,448	1,934,266

*Prior to Intra-GSA Eliminations

U.S. General Services Administration
18th and F Streets, Northwest
Washington, DC 20405

